



## **Bad Debt Policy**

### **Mary Washington Healthcare**

Level: Corporate

#### **Purpose:**

To define the bad debt referral process and maximize cash flow by extending additional collection efforts on uncollectible encounters.

#### **Policy:**

It is the policy of Mary Washington Healthcare (MWHC) to operate with the understanding that the hospital or medical providers must collect as much of its billed revenue as possible to continue to provide the highest quality of services to the community. Nevertheless, it is the policy of the organization that no patients needing care will be denied treatment, regardless of their insurance status or ability to pay and it will not enforce payment if undue financial hardship would result. MWHC may transfer accounts with outstanding patient liability to bad debt after collection efforts have been exhausted or the account is on a long-term payment plan.

For purposes of this policy, dunning is defined as a letter or notice to a debtor demanding payment on a delinquent account; an encounter is defined as a patient account for which payment is delinquent.

#### **Procedure:**

Once an account has been deemed bad debt, MWHC will transfer accounts to internal or external agencies for additional collection efforts or assign the account to an External AR for long term payment arrangements.

MWHC staff and appropriate vendors will follow these general guidelines regarding the transfer of overdue balances before moving the patient's account to collections:

1. **Delinquency:** MWHC must confirm that the patient account is delinquent and a minimum of 3 statements must be sent to the guarantor.
2. **Returned Mail:** The assumption is made that all statements, bills, and letters reach the patient unless mail is returned. When returned mail is received, it is researched to find a current address. If mail is returned as undeliverable, and research does not produce a more current

address, the account may be placed with a vendor for additional collection efforts, regardless of age.

3. **Disputes:** MWHC and its collection agencies should be careful to make certain that the debt is not disputed or that there is not an insurance issue which the hospital could resolve.
4. **Charity Care:** If a patient indicates that they are experiencing health or financial difficulties, they should be referred to the MWHC Patient Financial Navigation Department for consideration of financial assistance or other alternate funding.
5. **Letters of Protection:** As a rule, letters of protection are not accepted. Accounts that are in litigation should be referred to the Patient Financial Navigation Department for follow-up with the attorney.
6. **Bankruptcy Chapter 7 & 13:** Guarantor accounts that are covered under a bankruptcy petition will be coded in a timely manner. MWHC may file a Proof of Claim on Chapter 13 Bankruptcy Petitions when the account balance is at or above \$5,000. MWHC uses specific transaction codes to identify balances under bankruptcy. Chapter 7 and any account in which a proof of claim is filed and no monies were received through the Chapter 13 Proof of Claim will have a unique transaction code indicating the account balance was uncollectable. Accounts under Chapter 13 and no proof of claim will have a separate transaction code and not be considered for reimbursement for uncompensated care.

#### **Exceptions:**

Medicare, State Agency, Worker's Compensation, and Medicaid accounts are not assigned to bad debt unless documentation identifies the balance of the account as patient liability.

#### **Review Process for Manual Transfer of Bad Debt Accounts:**

The process of manually transferring accounts will be as follows:

This is completed when accounts are forwarded to the collection agency based on staff follow-up or leadership request. These accounts may be patients who have multiple bad debt accounts with the facility where no collection is possible (transient, undocumented aliens, returned mail with no forwarding address accounts, etc.) or collectability is pre-established. The transfer of these accounts should be made using the bad debt transfer process in Epic.

#### **Pre-Bad Debt Statement Cycle:**

1. Uninsured accounts will receive a minimum of 3 statements (to be compliant with the Medicare "120-day rule") before the account will automatically be transferred to bad debt.
2. Balance after insurance accounts will receive a minimum of 3 statements (to be compliant with the Medicare "120-day rule") for the patient liability before their account is transferred to bad debt.
3. All patients are required to receive statements or notifications unless the account has been placed on collection hold, guarantor's address has been identified as returned mail, guarantor refusal to pay, or the patient wishes to enter into a long-term payment arrangement (External AR).
4. At the discretion of Executive Leadership or Revenue Cycle Management, additional statements may be sent and/or the transfer to bad debt status may be delayed.

## **Bad Debt Placement Criteria to External Vendor**

MWHC may assign accounts to external agencies for additional collection efforts for unpaid accounts. External agencies will maintain a professional image on behalf of MWHC. Failure by the guarantor to pay their outstanding balance may result in the reporting of a “Collection” on their credit report.

The following defines the process and timeline for transferring Bad Debt:

1. It has been at least 120 days since the first statement or notification was generated to the patient/guarantor.
2. Guarantor has received the designated number of statements unless account has been flagged as a return mail and at least one statement being generated.
3. The account does not have a contested or hold status.
4. External collection agencies will expend reasonable, tactful, and diplomatic efforts to collect on overdue balances utilizing techniques available to them i.e., skip tracing, credit reporting, or predictive dialing.
5. The account will be coded as bad debt within the hospital’s accounting system (Epic, Soarian, CUBS, etc.)
6. Account must have a minimum balance of \$10 and/or has been coded as return mail.
7. MWHC will make every effort to report any payments made to the provider or facility to the external collection agency daily.
8. Payments made directly to external collection agencies will be reported to MWHC on monthly remittances.
9. Accounts can be recalled at any time due to specific situations by MWHC staff.
10. Statistics will be maintained on each agency to monitor patient complaints, liquidation and collection fee data. This report will be utilized to determine agency performance and recovery rates.

## **External AR Bad Debt Placement Criteria**

MWHC expanded the management of bad debt accounts within an extended database in May of 2021. External AR is defined as a scope of accounts in which a guarantor enters a payment plan exceeding 12 months or a guarantor entered a payment plan after the account was placed in bad debt.

The following criteria defines the process and/or timeline for managing External AR payment plans:

1. Guarantor has entered into a payment plan exceeding 12 months.
2. Guarantor will be billed on a monthly billing cycle, paper or electronic communications.
3. Guarantor accounts that default due to no payment in 60 days may be transferred to an External Vendor.

## **External Collection Agency Criteria**

*Note: Collection agencies must follow all pertinent regulations pertaining to debt collection to include Public Act 03-266, "An Act Concerning Hospital Billing Practices", effective 10-1-03 and the Fair Debt Collection Practices Act (FDCPA)*

**Bad Debt - Collection Agency Returns:**

Accounts will remain at primary agencies until the closed and returned criteria are met under the contract or until account is recalled by MWHC Revenue Cycle Management.

**Approved:**

**Reviewed:** 10/19; 01/20, 12/21, 2/22, 4/24

**Revised:** 10/19; 01/20, 12/21, 2/22, 4/24

**Signature(s):**

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Vice President, Revenue Cycle, MWHC