



TITLE: Debt Collection	SEARCH WORD: Bad Debt, Collections
DEPARTMENT: Patient Accounting, Patient Access Services, Community Based Patient Accounting	
VP APPROVAL: Janice Dunn	DIRECTOR/MANAGER APPROVAL: Jonathan Roberts
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PURPOSE:

St. Mary's Health Care System, Inc. ("St. Mary's"), as a member of Trinity Health ("System Office"), is a community of persons serving together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities. Aligned with our Core Values, in particular that of "Commitment To Those Who Are Poor," St. Mary's is committed to provide passionate care for persons who are in need as outlined in St. Mary's Financial Assistance Policy. In order to continue to have the resources to provide care to our community, St. Mary's must ensure fiscal responsibility including fair and sound debt collection practices. The purpose of this policy is to establish guidelines for actions that may be taken in the event of non-payment for services to patients who have a means to pay for their health care services or do not qualify for Financial Assistance.

POLICY STATEMENT:

When collecting patient balances, St. Mary's will treat its patients/guarantors with honor, dignity, and courtesy; demonstrate compassion; and be good stewards of health care resources. St. Mary's does not discriminate on the basis of race, color, national origin, citizenship, alienage, religion, creed, sex, sexual preference, age, or disability, in the application of this policy. It is the policy of St. Mary's to make reasonable efforts to determine whether an individual is eligible for assistance under its Financial Assistance Policy ("FAP"). Prompt payment of financial responsibility is expected from patients who have the means to pay who do not qualify for Financial Assistance. This policy describes the billing and collection activities and practices undertaken by St. Mary's to assist our patients with their outstanding balances. It also includes actions to be taken when patients who do not meet their financial obligations.

DEFINITIONS:

Bad Debt: Accounts that have been determined to be uncollectible because the patient has been unwilling to pay for their medical care.

Extraordinary Collection Actions ("ECA") include the following actions taken by St. Mary's (or a collection agent on their behalf):

- Deferring or denying, or requiring a payment before providing, medically necessary care because of a patient's nonpayment of one or more bills for previously provided care covered under the hospital facility's FAP. If St. Mary's requires payment before providing care to an individual with one or more outstanding bills, such a payment requirement will be presumed to be because of the individual's nonpayment of the outstanding bill(s) unless St. Mary's can demonstrate that it required the payment from the individual based on factors other than, and without regard to, his or her nonpayment of past bills.
- Reporting outstanding debts to Credit Bureaus.
- Pursuing legal action to collect a judgment (i.e. garnishment of wages, debtor's exam).
- Placing liens on property of individuals.

Financial assistance policy (FAP) means a written policy and procedure that outlines St. Mary's initiatives to provide financial assistance to patients who do not have the means to pay. The FAP outlines the guidelines to ensure St. Mary's meets the requirements described in §1.501(r)-4(b).

Guarantor: The person or group that assumes financial liability and responsibility for all or a portion of debt owed to St. Mary's.

PROCEDURES:

1. Billing & Collection Practices

- 1.1. St. Mary's will implement billing and collection practices for patient payment obligations that are fair, consistent and compliant with state and federal regulations.
- 1.2. The following pre-collection activities may be pursued by St. Mary's or by an agent on our behalf:
 - 1.2.1. Communicate with patients (Call, written correspondence, fax, text, email, etc.) and their representatives in compliance with the Fair Debt Collections Act, clearly identifying St. Mary's. The patient communications will also comply with HIPAA privacy regulations.
 - 1.2.2. Solicit payment of the estimated patient payment obligation portion at the time of service in compliance with federal and state laws.
 - 1.2.3. St. Mary's will make available to all patients who qualify a short term interest free payment plan with defined payment time frames based on the outstanding account balance. St. Mary's will also offer a loan program through AccessOne for patients who qualify for long-term payment plans.
 - 1.2.4. St. Mary's will confirm financial screening to determine potential eligibility for State or federal programs (i.e. Medicaid) or St. Mary's Financial Assistance.

- 1.3. Reasonable Collection Efforts (Pre-bad debt):
 - 1.3.1. Three separate statements in 30 day intervals are mailed to the address on file. Statements include a summary of charges, payments and contractual adjustments as well as information regarding the Hospital's financial Assistance program.
 - 1.3.2. A Final notice is mailed to the address on file. The final notice explains that the account may be referred to an outside agency if it is not paid in full, satisfactory payment arrangements are not made, or an application for financial assistance is not received or requested within 30 days of the date of the notice.
 - 1.3.3. It is the responsible party's obligation to provide a correct mailing address. If an account does not have a valid address, the determination for "reasonable effort" will have been made.
 - 1.3.4. Partial payment of a balance due will not prevent referral to a debt collection agency unless formal payment arrangements have been made with the Hospital.
 - 1.3.5. When a financial application is received near the end of the 120-day statement cycle a referral to a collection agency will not be made until the patient has been notified of the outcome of their application and at least 30 days have elapsed since the patient was mailed the notification.
 - 1.3.6. St. Mary's will review unpaid accounts canceled and returned by the self-pay follow-up agency after the account has been assigned for 120 days.
 - 1.3.7. St. Mary's will assign any account with a balance due from the patient or guarantor greater than \$9.99 to the collection agency.
 - 1.3.8. If the account balance is less than \$10 and the patient or guarantor has no other active account and does not have an existing account listed with the collection agency, the account will be written off using a small balance adjustment code
- 1.4. St. Mary's will have written procedures outlining when and under whose authority a patient debt is advanced for external collection activities.
- 1.5. Bad Debt Collection Agency Referrals:
 - 1.5.1. The following collection activities may be pursued by a St. Mary's contracted collection agency:
 - 1.5.1.1. Communicate with patients (Call, written correspondence, fax, text, email, etc.) and their representatives in compliance with the Fair Debt Collections Act, clearly identifying St. Mary's. The patient communications will also comply with HIPAA privacy regulations.
 - 1.5.1.2. Solicit payment of the patient outstanding debts in compliance with federal and state laws.
 - 1.5.1.3. Report outstanding debts to Credit Bureaus only after all aspects of after reasonable collection efforts have been made in compliance with St. Mary's FAP.
 - 1.5.1.4. Pursue legal action for individuals who have the means to pay, but do not pay, or who are unwilling to pay. Legal action also may be pursued for the portion of the unpaid amount after application of St. Mary's FAP. An approval by the director of Patient Financial Services or their designee, must be obtained prior to commencing a legal proceeding or proceeding with a legal action to collect a judgment (i.e. garnishment of wages, debtor's exam).

- 1.5.1.5. Place liens on property will only be considered for individuals who have the means to pay, but do not pay, or who are unwilling to pay. Liens may be placed for the portion of the unpaid amount after application of St. Mary's FAP. Placement of a lien requires approval by the Director of Patient Financial Services. Liens on primary residence can only be exercised upon the sale of property and will protect certain asset value in the property.
 - 1.5.2. St. Mary's or designated collection agency **shall not** pursue action against the debtor's person, such as arrest warrants or "body attachments." St. Mary's recognizes that a court of law may impose an arrest warrant or other similar action against a defendant for failure to comply with a court's order or for other violations of law related to a collection effort. While in extreme cases of willful avoidance and failure to pay a justly due amount when adequate resources are available to do so, a court order may be issued; in general, St. Mary's will first use its efforts to convince the public authorities not to take such an action and, if not successful, consider the appropriateness of ceasing the collection effort to avoid an action against the person of the debtor.
 - 1.5.3. St. Mary's or designated collection agency will refrain from initiating ECA(s) until 120 days after providing patients the first post-discharge billing statement for the episode of care, including the most recent episodes of care for outstanding bills that are aggregated for billing to the patient. St. Mary's will also ensure all vendor contracts for business associates performing collection activity will contain a clause or clauses prohibiting ECA(s) until 120 days after providing patients the first post-discharge billing statement for the episode of care, including the most recent episodes of care for outstanding bills that are aggregated for billing to the patient.
 - 1.5.4. St. Mary's will take all reasonably available measures to reverse ECAs related to amounts no longer owed by FAP-eligible patients.
 2. Collection Agency Requirements
 - 2.1. St. Mary's may have a System Office approved arrangement with a collection agency, provided that such agreement meets the following criteria:
 - 2.1.1. The agreement with a collection agency must be in writing;
 - 2.1.2. Neither St. Mary's nor the collection agency may at any time pursue action against the debtor's person, such as arrest warrants or "body attachments;"
 - 2.1.3. The agreement must define the standards and scope of practices to be used by outside collection agents acting on behalf of St. Mary's, all of which must be in compliance with this Procedure;
 - 2.1.4. No legal action may be undertaken by the collection agency without the prior written permission of St. Mary's;
 - 2.1.5. Trinity Health Legal Services must approve all terms and conditions of the engagement of attorneys to represent St. Mary's in collection of patient accounts;
 - 2.1.6. All decisions as to the manner in which the claim is to be handled by the attorney, whether suit is to be brought, whether the claim is to be compromised or settled, whether the claim is to be returned to St. Mary's, and any other matters related to resolution of the claim by the attorney shall be made by St. Mary's in consultation with Trinity Health Legal Services;
 - 2.1.7. Any request for legal action to collect a judgment (*i.e.*, lien, garnishment, debtor's exam) must be approved in writing and in advance with respect to each account by the appropriate authorized St. Mary's representative as detailed in section 1.5.1.4;

- 2.1.8. St. Mary's must reserve the right to discontinue collection actions at any time with respect to any specific account; and
 - 2.1.9. The collection agency must agree to indemnify St. Mary's for any violation of the terms of its written agreement with St. Mary's.
3. Patient Disputes or Complaints:
 - 3.1. St. Mary's has zero tolerance for abusive, harassing, oppressive, false, deceptive or misleading language by any St. Mary's colleague, vendor or designee who collects money from our patients.
 - 3.2. If the patient or guarantor disputes their account, including questions regarding specific charges or services provided, the collection agency must follow the defined customer resolution and escalation process.
 - 3.3. If the complaint cannot be resolved by the collection agency, it must be referred to the St. Mary's Central Business Services for review, investigation and determination of any required action.
 4. Discounts
 - 4.1. Self-Pay Discounts: St. Mary's will apply a standard self-pay discount off of charges for all registered self-pay patients that do not qualify for financial assistance (e.g., >400% of FPL) based on the highest commercial rate paid. For St. Mary's Medical Group the self-pay discount will be 50% of total charges.
 - 4.2. Prompt Pay Discounts: St. Mary's will offer a prompt pay discount program which will be limited to balances equal to or greater than \$200.00 and will be no more than 20% of the balance due unless authorized by St. Mary's CFO or designee. The prompt pay discount is to be offered at the time of service.
 - 4.3. Additional Discounts: Adjustments in excess of the percentage discounts described in this Procedure may be made on a case-by-case basis upon an evaluation of the collectability of the account. Discounts up to 35% require approval of the Director of Business Services. Discount above 35% require approval of the St. Mary's CFO.

REFERENCES:

- St. Mary's Health Care System, Inc. "Financial Assistance to Patients" Policy (*Approved by St. Mary's Board of Directors on January 10, 2015*)
- Trinity Health Revenue Excellence Policy No. 1: "Financial Assistance to Patients" <http://intranet.trinity-health.org/web/policies-procedures/table-of-contents#finance>
- Trinity Health Revenue Excellence Policy No. 2: "Payment of QHP Premiums and Patient Payables" <http://intranet.trinity-health.org/web/policies-procedures/table-of-contents#finance>
- Patient Protection and Affordable Care Act: Statutory Section 501(r)
- Internal Revenue Service Schedule H (Form 990)
- Department of Treasury, Internal Revenue Service, Additional Requirements for Charitable Hospitals; Final Rule: Volume 79, No. 250, Part II, 26 CFR, Part 1