

SUBJECT: BAD DEBT	PAGE: 1 OF: 3
DEPARTMENT: Patient Financial Services	ORIGINATION DATE: 09/11/2014
POLICY MANUAL: DEPARTMENTAL	REVISION DATE:

POLICY:

It is the policy of Evans Memorial Hospital (EMH) to ensure that debts owed by patients for medical care delivered by EMH are collected in a timely manner. Payment for such debts will be pursued according to uniform criteria and procedures applicable to all EMH patients who have not qualified for financial assistance as indigents, to ensure that Medicare will provide cost reimbursement to EMH for that portion of any uncollectible bad debt attributable to Medicare beneficiaries.

DEFINITION OF TERMS:

Bad Debt - Amounts considered to be uncollectible from accounts and notes receivable that were created or acquired in providing healthcare services. "Accounts receivable" and "notes receivable" are designations for claims arising from the furnishing of services and are collectible in money in the relatively near future.

Deductibles and Coinsurance - Amounts payable by Medicare beneficiaries for covered medical services.

PROCEDURE:

- A. Costs attributable to the deductible and coinsurance amounts owed by Medicare beneficiaries that remain unpaid are added to the Medicare share of allowable costs and are reimbursed under the federal Medicare program. Bad debts arising from other sources are not allowable costs for purposes of Medicare.
- B. Criteria for Medicare Allowable Bad Debt
 - 1. Under the federal Medicare program, costs of covered services furnished to Medicare beneficiaries are not to be borne by individuals not covered by the Medicare program. Conversely, the costs of services provided for non-Medicare beneficiaries are not to be borne by the Medicare program.
 - 2. The failure of Medicare beneficiaries to pay the deductible and coinsurance amounts could result in the related costs of covered services being borne by other than Medicare beneficiaries.
 - 3. In determining whether unrecovered costs of covered services are due to bad debts, the Medicare program is considered as a whole without distinction between Part A and Part B.
 - 4. A Medicare bad debt must meet the following criteria to be allowable:
 - a. The debt must be related to covered services and derived from deductible and coinsurance amounts;
 - b. The provider must be able to establish that reasonable collection efforts were made;
 - c. The debt was actually uncollectible when claimed as worthless; and

SUBJECT: BAD DEBT	PAGE: 2 OF: 3
DEPARTMENT: Patient Financial Services	ORIGINATION DATE: 09/11/2014
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- d. Sound business judgment established that there was no likelihood of recovery at any time in the future; or
 - e. The patient has applied for and been approved for financial assistance under EMH's policies governing eligibility for financial assistance
- C. The amounts uncollectible from Medicare beneficiaries are to be charged off as bad debt in the accounting period in which the accounts are deemed to be worthless. In some cases an amount previously written off as a bad debt and allocated to the Medicare program may be recovered in a subsequent accounting period; in such cases this income must be used to reduce the cost of beneficiary services for the period in which the collection is made.
- D. Patient Financial Services personnel will review unpaid accounts on a regular basis to identify nonpayment of copayments, coinsurance or deductibles required by any third party payer or for any services for which a patient is responsible as self pay.
- E. If a bill remains unpaid more than one hundred and twenty (120) days from the date it was first mailed to the beneficiary, and reasonable collection attempts have failed, the debt may be deemed bad debt.
- F. Reasonable collection efforts include, but are not limited to the following:
1. The issuance of a bill for medical services on or shortly after discharge, delivery of services or death of the patient to the party responsible for the patient's personal financial obligations; and
 2. Subsequent billings, collection letters, telephone calls or personal contacts with the party, demonstrating a genuine collection effort.
- G. A collection agency may be used to obtain payment. The fee charged by the collection agency is merely a charge for providing the collection service, and is not a bad debt. EMH currently uses an outside vendor to attempt collection of self-pay accounts and self-pay balances before they are declared "bad debt."
- H. A Medicare "bad debt" log will be maintained by Patient Financial Services for both inpatient and outpatient services. This log will contain the Medicare patient's name and all unpaid charges that meet the criteria for bad debt. Each patient will be identified by his or her account number and Medicare Health Insurance Claim number. Dates of service and total amount due will also be listed. The Medicare bad debt log will include the coinsurance/deductibles for patients who have been approved for financial assistance. In addition it will include patients with self-pay balances that have been referred to a collection agency.

SUBJECT: BAD DEBT	PAGE: 3 OF: 3
DEPARTMENT: Patient Financial Services	ORIGINATION DATE: 09/11/2014
POLICY MANUAL: DEPARTMENTAL	REVISION DATE:

- I. Patients who have applied for and been approved for financial assistance under EMH's financial assistance policies will be listed on the Medicare bad debt log for covered deductibles.
- J. The Medicare bad debt log will be updated monthly. Copies will be forwarded to the Revenue Cycle Director, who will then forward copies to the CFO or other individual responsible for the completion of the cost report. Copies of the log will be maintained in accordance with business records policy.

Approval History: