

Specialty Hospital of Lorain Policy and Procedure

Title: Billing/Write Offs – Bad Debt/Allowances	Policy #: LE-20
Function: Leadership	Effective Date: 11/01
Manual: Administrative	Revision/Review Date: 01/02, 03/06, 10/12, 9/15, 9/17

POLICY

To manage accounts receivables in a manner that minimizes bad debt expense while providing proper internal controls.

PROCEDURE

1. All accounts will be billed to the appropriate insurance company. After the insurance company (Medicare, Medicaid, Commercial, etc) processes and pays their amount and all appropriate contractuals are posted, the balance will be transferred to Self-Pay.
2. Allowance for doubtful accounts will reflect the amount of receivables deemed to be uncollectable.
3. The allowance for doubtful accounts should be reconciled to the actual bad debt activity.
4. All accounts should go through this procedure, regardless of the payor.
5. All accounts shall receive statements 30, 60, and 90 days after payment, if applicable, or billed date if no payment or other arrangement have been made. A copy of these statements should be placed in the patient's financial record. Additionally, documentation should be made in the comment section of the electronic financial record.
 - If statements are returned to the hospital due to incorrect address and no forwarding address available, then the account can be turned over to bad debt immediately. The returned envelope must be placed in the patient's financial record.
6. If after 120 days post payment date or bill date, whichever comes first, there is still an outstanding balance, this amount is to written off to bad debt. The code for this is 20.....Bad Debt Transfer.
7. At the time an account is deemed uncollectable, the account and supporting documentation should be submitted to the Administrative Director of Finance for review and approval. The Administrative Director of Finance shall approve the turn-over to bad debt by reviewing the supporting documentation, including the following.
 1. Verifying the distribution of the account balance statements.
 2. Verifying the timeliness of the write-off, 120 days post payment or bill date, whichever is first.
 3. For Medicare patients, reviewing the remittance advice sheet that identifies co-pay and deductible amounts.
8. The allowance for doubtful accounts will be reviewed monthly by the Administrative Director of Finance.
9. All recoveries of bad debts should be recorded in the month the cash is received.