

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, 5/18, 6/20

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 will 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 (the date the first self pay bill is sent to the patient) if no payment or other arrangement have been made. A copy of these statements will be placed in the patient's financial record. Additionally, documentation will 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, the statement process will cease and the billing held for the 120th day unless a new address can be found. 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 will 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.

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4. Verifying that Specialty Hospital of Lorain has taken reasonable efforts to determine whether the individual is eligible for financial assistance.
No extraordinary collection efforts will be taken within 120 days of sending the first statement to the Patient.
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.
10. If the patient is in the process of completing a Financial Assistance Application or the application is in the process of being reviewed, all collection efforts will be ceased.
11. Once an account is turned over to the outside collection company, the company will engage in the following collection actions:
 - Letters
 - Phone calls
 - Liens
 - Garnishments
 - Other legal activities available to the collection agencyAt least 30 days before initiating a lien, garnishment, or other legal activity against an individual, a written notice will be provided to the individual. The written notice will include the following information:
 - a. A statement that financial assistance is available to eligible individuals.
 - b. Identification of the legal action(s) that Specialty Hospital of Lorain or the collection company plans to initiate against the individual; and
 - c. A deadline after which such legal action(s) may be initiated.A copy of the plain language summary of the financial assistance policy will be included with this written notice
12. If a person submits an application for financial assistance within 240 days of receiving their first post-discharge billing statement, Specialty Hospital of Lorain will take the following steps:
 - a. Put a hold on all collection actions until eligibility for financial assistance is determined.
 - b. Process the application on a timely basis, taking no more than one month to make a decision.
 - c. Provide written notice to the individual of the determination of their eligibility. If the individual qualifies for financial assistance, the written notice will inform them of the discount for which they qualify, how that discount was determined, the remaining balance owed on their account, and the explanation of how the individual can obtain information about the amounts generally billed ("AGB") limit for their account. If the individual does not qualify for financial assistance, the written notice will indicate this and explain why the individual does not qualify.
 - d. If an individual qualifies for financial assistance and has made payments on their account that are greater than their newly determined liability, Specialty Hospital of Lorain will refund the excess amount to the individual.

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- e. If an individual submits an incomplete application, Specialty Hospital of Lorain will provide a written notice that explains what is missing, includes the phone number and physical address of somebody who can provide information about financial assistance, and includes the phone number and physical address of somebody that can assist with the financial assistance process. The individual will be given one month to resubmit a complete application.