



**POLICY NAME: BILLING AND COLLECTIONS**

**DEPARTMENT: ADMINISTRATION**

**EFFECTIVE DATE: 1/1/2016**

**REVISED:**

**REVIEWED:**

**PURPOSE:**

To provide collection guidelines which are consistent with the Lake View's mission and values.

**SCOPE:**

This policy applies to all hospital, clinic, home care and hospice facilities for Lake View.

**POLICY STATEMENT:**

Lake View will seek to resolve outstanding patient liabilities through implementing fair and consistent billing and collection practices, defining the standards and scope of practice to be used by any outside collection agents and abiding by the Minnesota Attorney General Agreement and 501(r) compliance requirements regarding collection practices and patient discounts as defined in this policy.

**DEFINITIONS:**

**Attorney General Agreement (AGA):** A contract executed between Lake View and the Minnesota Attorney General's Office relative to billing and collection practices and uninsured patient discounts.

**Collection Cycle:** The normal process followed by Lake View or its agents to collect patient liabilities in full. Unpaid balances after completion of the collection cycle may be classified as a bad debt and referred to a collection agency.

**Patient Liability:** Any account balance remaining after all insurance payments and contractual adjustments have been applied. This includes patient accounts with no insurance coverage.

**Medically Necessary:** Services that are reasonable and necessary for the diagnosis or treatment of an illness or injury or to improve the functioning of a malformed body member. Screening services are excluded from the category of medically necessary services.

**Bad Debt:** Account status for any unresolved patient liability remaining after the normal collection cycle where it is deemed that the patient or guarantor is able but unwilling to pay the balance.

**Non-Indigent Patient:** Those uninsured individuals who do not qualify for Medicaid and/or other State or local financial assistance programs, or the Lake View Financial Assistance program.

**Financial Assistance Program (FAP):** A program for rendering free or discounted care to persons who incur financial hardship in order to fully pay for their medical care.

**Presumptive charity care:** The process of proactively classifying certain patients as charity care on the basis of limited financial information. Predictive analytics considers demographic information and accesses third-party information to estimate a guarantor's financial profile and household size and income range.

**Extraordinary Collection Actions (ECA):**

Especially aggressive efforts to encourage individuals to pay a liability as defined in IRS Reg. 1.501(r)-6(b). In general, extraordinary collection actions include selling a debt to another party; reporting adverse information about an individual to a consumer credit reporting agency or credit bureau; deferring or denying medically necessary care because of nonpayment of a previous liability; requiring payment before providing medically necessary care because of nonpayment of a previous liability; and actions that require a legal or judicial process (including liens, foreclosures, attachments, seizures, civil actions, arrests, writs of body attachment, and garnishments).

**Amounts Generally Billed (AGB):**

The average amount collected by Lake View for providing emergency and other appropriate hospital-based medical services to individuals who have insurance covering that service, as defined in IRS Reg. 1.501(r)-1(b)(1).

**Plain Language Summary (PLS):** A document containing a clear, simple explanation of the financial assistance program and information about eligibility and the application process.

**Uninsured Discount:** The most favored nongovernmental third-party payer discount for the previous year that is applied to a self-pay balance per the MN Attorney General Agreement.

**SUBJECT KEY WORDS:**

Extraordinary collection actions, uninsured discount, legal action, charity care application, payment guidelines

**PROCEDURE:**

**Reasonable Efforts**

1. Before taking any extraordinary collection actions against an individual, Lake View shall meet one of the two reasonable efforts described in this policy.
2. REASONABLE EFFORTS METHOD #1 – PRESUMPTIVE ELIGIBILITY
  - a. Before sending an account to a collections agency, Lake View shall use information provided by an outside agency or vendor to determine eligibility and potential financial assistance. These agencies may use publically available and

purchased transaction data to estimate a guarantor's financial profile and household size. Examples of such data are: census data, birth certificates, marriage licenses, legal notices, bankruptcy filings, automobile registrations, property tax records, as well as point-of-sales transactions data that retailers and credit card companies make available for purchase to presumptively determine whether that individual may be eligible for financial assistance under Lake View financial Assistance Policy (P-21).

- b. If the individual is presumptively determined to be eligible for a 100% discount (complete write-off) under Lake View Financial Assistance Policy, Lake View shall inform the individual in writing of that decision and no further actions will be taken in relation to medical services to which this financial assistance applies.
- c. If the individual is presumptively determined to be eligible for a partial discount under Lake View Financial Assistance Policy, Lake View shall inform the individual in writing of the following information:
  - i. The level of financial assistance for which the individual qualified;
  - ii. The basis for that determination;
  - iii. More generous assistance may be available if the individual were to complete a financial assistance application; and
  - iv. How to apply for financial assistance under Lake View Financial Assistance Policy.

Lake View shall provide a reasonable amount of time for the individual to submit a complete financial assistance application before initiating any extraordinary collection actions to obtain the discounted amount owed by the individual. If the individual submits a complete financial assistance application, Lake View shall follow the process described in the Financial Assistance Policy for completed applications.

- d. If the individual is presumptively determined to be ineligible for financial assistance under Hospital's Financial Assistance Policy, Hospital shall meet reasonable efforts method #2, as described below, before taking any extraordinary collection actions against the individual.

### 3. REASONABLE EFFORTS METHOD #2 - NOTIFICATION EFFORTS AND REASONABLE AMOUNT OF TIME

- a. See Attachment A for a list of actions that may be used by Lake View to collect liabilities from individuals, including extraordinary collection actions. Attachment A also provides a general timeframe for these actions.
- b. Lake View prohibits the use of all extraordinary collection actions against individuals other than the actions listed in Attachment A. This prohibition applies to Lake View and to all other parties acting on behalf of Lake View.
- c. If an individual submits a charity care application, Lake View shall cease all collection efforts until a determination of charity care eligibility is made.
- d. If Lake View or another authorized party has already begun an extraordinary collection action against an individual when that individual submits a complete charity care application, the extraordinary collection action shall be suspended. Suspending an action means that no new extraordinary collection actions are initiated and no further steps are taken on a previously existing extraordinary

collection action. This suspension may be lifted after Lake View determines the individual's eligibility for charity care and notifies the individual as follows:

- i. Upon making a determination of eligibility, Lake View will notify the responsible party within a reasonable amount of time, not to exceed 30 days.
  - ii. If an individual is determined to be eligible for a partial discount, Lake View will provide the individual with a billing statement that indicates the remaining amount the individual owes, how that amount was determined, and how the individual can obtain information about the current AGB limit.
  - iii. In the event Hospital denies an individual's application for charity care, Lake View shall notify the individual of the denial and the basis for the denial.
- e. If Lake View or another authorized party has already begun an extraordinary collection action against an individual when that individual is determined to be eligible for charity care under this policy, Lake View and/or the other authorized party shall take all reasonably available measures to reverse the extraordinary collection action. Such steps include, but are not limited to, measures to vacate any judgment against the individual and lift any levy or lien on the individual's property.
- f. Lake View shall not take any extraordinary collection actions against an individual for an episode of care within 120 days of the date the first post-discharge billing statement is sent to the individual.
- g. At Lake View's discretion, a single collection action may be taken to obtain payment for multiple episodes of care. However, in such situations, an extraordinary collection action shall not be taken within 120 days of sending the first post-discharge billing statement for the most recent episode of care included in the extraordinary collection action and within 30 days of sending the final notice to inform the individual of collection actions that may be taken.
- h. At least 30 days prior to taking any extraordinary collection action against an individual to obtain payment for an episode of care, Lake View or its agent shall provide the individual with a written notice that includes the following information.
- i. Charity care is available for eligible individuals.
  - ii. The extraordinary collection actions that Lake View, or another authorized third party, intends to initiate against the individual to obtain payment for the care.
  - iii. A deadline after which such extraordinary collection actions may be initiated.

The written notice shall include a copy of the plain language summary of this charity care policy. Lake View or another authorized third party shall also make reasonable efforts to orally notify the responsible party about this charity care

policy and how the individual may obtain assistance with the charity care application process.

- i. The Business Office shall have the final authority and responsibility to determine whether Lake View has made reasonable efforts to determine whether an individual is eligible for charity care under this policy and may therefore engage in extraordinary collection actions against that individual.
- j. If an individual has made partial payment, and the individual is subsequently determined to qualify for charity care under this policy, any payments in excess of their newly calculated remaining liability shall be refunded to the patient within 30 days of the charity care eligibility determination. If the refundable amount is less than \$5.00, Lake View may not issue the refund.

### **General Collection Process**

1. Patients are expected to cooperate with Lake View to bill the insurance company and must cooperate in a reasonable manner to provide required information.
2. Patients or their guarantors are responsible for understanding their insurance coverage.
3. Lake View will comply with billing procedures regarding timely and accurate submission of claims to all known third-party insurance payers.
4. Lake View shall not refer any bill to a collection agency or attorney for collection activity while a claim is pending payment with a third-party payer with which Lake View has a contract.
5. Lake View may proceed with reasonable collection efforts following an initial denial by the third-party payer. Such efforts can include referral to an external collection agency or debt litigation attorney.

### **Billing and Collections – Communication**

1. Lake View will have the Billing and Collections Policy available on its website at [www.slhduluth.com/assistance](http://www.slhduluth.com/assistance).
2. Paper copies of this document are available upon request and without charge by mail, in the Emergency room and in all admissions areas.

### **Uninsured Discount**

1. Lake View will not charge a patient for any uninsured treatment in an amount greater than the amount which the hospital would be reimbursed for that service or treatment from its most favored insurer.
2. The Uninsured Discount will be applied to all self-pay balances prior to sending the patient a statement.
3. The discount rate will be evaluated on each July 1<sup>st</sup> based on the payer discount rates for the previous calendar year's activity
4. If insurance is later added to the account and payment received, the Uninsured Discount will be reversed.

5. The patient has the option of applying for financial assistance.
6. If the financial assistance discount is greater than the Uninsured Discount, the Uninsured Discount will be reversed, and the financial assistance discount will be applied to the account.

## **Payment Guidelines**

1. Either at the time of billing, or after all identified insurance payments have been received and posted, any remaining patient liability will be transferred to the patient responsibility category.
2. Lake View will provide a detailed itemized bill upon request.
3. Lake View reserves the right to collect a 100% deposit in advance of elective or non-emergent, non-covered services being rendered.
4. Lake View reserves the right to limit in-house payment plans to 12 months.
5. Payment plan exceptions will be authorized on a case by case basis and approved by the Billing Administrator, Business Services Director, , or the Central Billing Office (CBO) Manager.
6. No prompt pay discounts are applied to account balances. Patient balances after insurance can be considered for financial assistance following the guidelines of the Financial Assistance Policy (P-21).
7. For patient payment arrangements, below are the minimum payments:
  - a. Under \$75 – Payment in full
  - b. \$75 - \$299 - \$50 month
  - c. \$300 - \$599 - \$75 month
  - d. \$600 - \$999 - \$100 month
  - e. \$1,000 and up – 3% of patient's gross income per month or \$100, whichever is greater

## **Bad Debt Assignments**

1. It is expected that the patient will make arrangements to satisfy their patient liability during the normal collection cycle.
2. Patients complying with a mutually agreed upon payment plan will not be referred to a collection agency.
3. Neither Lake View nor its employees will engage in extraordinary collection activities (ECA's) before reasonable efforts to determine FAP eligibility is made.
4. The attorney or law firm is prohibited from reporting any patient to a credit reporting agency.
5. Lake View will not refer any patient's account to a collection agency or debt litigation attorney until it has confirmed that:
  - a. The patient or guarantor owes the debt.
  - b. All third party payers have been billed.

- c. The patient has been offered a reasonable payment plan.
  - d. The patient/guarantor has been made aware of the financial assistance program, has been offered an application and the offer of assistance to complete the application.
  - e. If the FAP application has been submitted per policy, collection activity will be suspended for 30 days allowing time for the application to be processed and the patient notified of its decision.
6. If the patient requests to speak to a Lake View employee or seeks information about their bill or any financial assistance program after their account has been placed with an outside agency for collection, the outside agency will provide the name and phone number of a Lake View employee who can assist the patient.
  7. Any patient liability not resolved through the completion of the collection cycle is eligible for classification as a bad debt and referral to a collection agency.
  8. The Billing Administrator and the CBO Manager are responsible for the review of accounts and agency assignments.
  9. Bad debt accounts will meet all of the following criteria:
    - a. Attempts have been made to contact the patient or guarantor by mail and telephone.
    - b. Patient or guarantor has not responded during the collection cycle in a timely and responsible manner or has defaulted on a payment arrangement.
    - c. There are no known circumstances which would justify reconsideration for financial assistance.
  10. Approval for bad debt write offs are as follows:
    - a. \$0 - \$2,499 – Billing Administrator or CBO Manager
    - b. \$2,500 - \$9,999 – Business Services Director or CBO manager
    - c. \$10,000 and over – Chief Financial Officer and/or VP Clinics
  11. Collection agency activity will be reviewed, monitored and reported by the Billing Administrator, Business Services Director, and CBO Manager and held accountable in accordance to the standards set in the AGA. This will include, at a minimum:
    - a. A written log of all oral and written complaints made by any patient will be maintained by the collection agency(ies) and submitted to Lake View at least every 60 days for review. The log shall include the date, time and purpose of the communication.
    - b. The collection agency shall produce monthly actuarial reports reflecting collection activity.

## **Legal Action**

1. Bad debt accounts may be assigned to outside collection attorneys for potential legal process at the discretion of the Business Services Director, Billing Administrator, or the CBO Manager.

2. The collection attorneys will assess patient asset availability and file a lawsuit as appropriate to secure outstanding balances and as outlined by the AGA and 501(r) compliance.
3. Neither Lake View nor any of its debt collection agencies or attorneys shall report any patient to a credit reporting agency as a result of that patient's failure to pay a medical bill.
4. All account activity and potential account settlements will be monitored for compliance with Lake View's policy by the Business Services Director, Billing Administrator, and CBO Manager.
5. All account activity and potential account settlements will be monitored for compliance.
6. Any settlement that requires a discount will be reviewed by the Business Services Director, Billing Administrator, or the CBO Manager.

### **Reporting/accountability**

1. Lake View will have written agreements with any outside collection agency which defines the standards and scope of practices to be followed in resolving outstanding patient liabilities.
2. Lake View will annually audit their collection agency systems to assure compliance with Lake View's policies and procedures.
3. The Board of Directors shall review the activities of its internal and external collection efforts in accordance with applicable state and federal requirements.
4. The Hospital CEO will review the activities of contracted collection agencies each year and will determine whether or not to renew the hospital contract(s) with the collection agencies.

### **ATTACHMENTS:**

Attachment A - Collection Actions

### **RELATED POLICIES:**

Business Services – Financial Assistance Program

### **REFERENCE:**

Federal Register, Vol. 79, No. 250, December 31, 2014. Additional Requirements for Charitable Hospitals; Community Health Needs Assessments for Charitable Hospitals: Requirements of a Section 4959 Excise Tax Return and Time for Filing the Return.

### **COORDINATION:**

Business Services Director

### **KEY INVOLVED DEPARTMENTS:**

Business Services

Central Business Office



**APPROVED:** \_\_\_\_\_  
**Administrator**

**APPROVED:** \_\_\_\_\_  
**Chairman, Board of Directors**

### **Lake View Collection Actions**

This attachment identifies the actions taken by Lake View, including extraordinary collection actions, to encourage patients and other responsible parties to pay a liability owed to Lake View for the provision of emergency medical care and other medically necessary care. It also identifies the general timeline used by Lake View in taking these actions.

- Lake View sends a billing statement upon determining the remaining balance after any insurance. This is referred to as the “first post-discharge billing statement”.
- Approximately 30 days later, a second billing statement is sent.
- Approximately 30 days later, a third billing statement is sent.
- Approximately 30 days later, a notice of intended actions (“final notice” statement) is sent.
- Between 14 and 45 days later, the account is sent to a collection agency.
- While this account is with the collection agency, the collection agency attempts to contact the individual by phone.
- Within a week of receipt the collection agency sends a letter encouraging payment and informing the individual of actions that may be taken.
- The collection agency may commence a legal action against the individual. Lake View limits allowable legal actions to lawsuits, liens and garnishment of wages.

While this timeline is generally accurate, any step may fluctuate by a few days. However, in no event shall Lake View or an authorized third party take any extraordinary collection actions within 120 days of sending the first post-discharge billing statement to a responsible party.

Hospital prohibits the use of all extraordinary collection actions other than the actions listed here. This prohibition applies to Lake View and to all other parties acting on behalf of Lake View.