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| Subject: Collection Policy & Assignment | Policy Number: INHS-PFS-001 | |
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| Executive Sponsor: Helen Andrus, CFO | Policy Owner: Russell Hancock | |
| Approved by: INHS Leadership | Implementation Date: 12/1/2015 | |

SCOPE:

This policy applies to Inland Northwest Health Services (INHS). This is an operational policy recommended by the Chief Financial Officer, and approved by the Leadership Council.

PURPOSE:

The purpose of this policy is:

To ensure collection policy meets federal and state requirements for extraordinary collection activity (ECA) as defined by Internal Revenue Code Section 501(r) and other applicable federal and state laws.

POLICY:

In the interest of conserving scarce resources for indigent care INHS will ensure that debts owed by guarantors for medical services provided by INHS are collected in a timely manner.

INHS will ensure compliance relating to protected health information (PHI) and HIPAA requirements when transferring accounts to bad debt collection agencies.

INHS will make best efforts to obtain cost reimbursement for any portion of uncollectible bad debt attributable to Medicare beneficiaries.

INHS will comply with relevant federal and state laws and regulations in the assignment of bad debt.

CRITERIA FOR ASSIGNMENT TO EXTERNAL COLLECTIONS AGENCIES

- 1. No account will transfer to a collection agency and no extraordinary collection activity will be made during the initial notification period of 120 days from the 1st post-discharge billing statement.**

During the notification period INHS will do the following:

- Provide a plain language summary of the Financial Assistance Policy (FAP) at time of registration at the hospital providing services.
- Billing statements sent to patients must have language directing patients on how to request information and apply for financial assistance on each statement.
- 90 days after the first post-discharge billing statement is issued, send a notice to inform patient that ECA's may commence 30 days after the date of the notice.
- At day 121 after the first post-discharge billing statement is issued, if the account has not been resolved and patient / guarantor has not applied for financial assistance, then the account can transfer to an outside collection agency.
- Patient / Guarantor may apply for financial assistance at any time up to 240 days after the first post-

discharge billing statement is issued and all ECA's will cease.

- Outside collection agency must not report accounts to credit reporting agencies until the 240 day period is completed and in the event the patient/ Guarantor has not submitted a FAP during that time.

All forms of data transfer of accounts to/from bad debt collections must be encrypted to protect PHI. Acceptable methods for placement of accounts to internal or external agents include FTP file transfer and/or floppy disc load.

The transfer of bad debt accounts should be completed on a weekly basis and should be reviewed and sent to the agencies for loading within ten (10) business days of the transfer completing.

2. Recalls and Second Placements

Accounts at an agency may be recalled and returned to INHS at the discretion of INHS. These circumstances, may include, but are not limited to:

- Accounts with risk management issues;
- Patient has applied for financial assistance at any time, and return to INHS is mandatory if the patient files a financial assistance application during the initial 240 days period following the issuance of the first post-discharge billing statement;
- Prior paid accounts;
- Disputed services;
- Registration issues or statement/contact requirements not being met;
- Accounts that have reached statute of limitations; and/or
- Situations where lifetime income is not expected to increase (e.g. fixed income elderly guarantors on Medicare).

Once recalled from an agency, INHS may choose to work the accounts to resolution with the guarantor or a third party as needed.

INHS may also periodically recall transferred accounts from one agency and then may choose to place those accounts with a second agency.

At INHS's discretion, recall of account(s) may be delayed or stopped when a suit filed by the agency is in process, or collection is imminent and where the account has met the criteria for transfer to an agency.

INHS will exercise this ability for second placements on segments or grouping accounts versus all accounts inclusively.

3. Accounts deemed uncollectible while at a Collection Agency

When the collection agency deems an account uncollectible, the collection agency is required to cancel the listing and return the account to INHS. These circumstances, may include, but are not limited to:

- The legal statute of collection limitations has expired;
- The guarantor has deceased and there is no estate or probate;
- The guarantor has filed bankruptcy;
- The guarantor has provided financial records that qualify him/her for financial assistance; and/or
- Financial records indicate the guarantor's income will never improve to be able to pay the debt, for example with guarantors on lifetime fixed incomes.

Accounts deemed uncollectible will not receive further collection actions from INHS. These balances may be reclassified as charity under the INHS Self Pay Financial Assistance – Uncollectible Charity Policy or included in Medicare Bad Debt Logs when qualified as meeting the relevant criteria.

4. Legal Action

While INHS itself does not generally pursue legal action to collect a confirmed debt, agents acting for INHS may choose to do so where the guarantor has income and/or assets available.

Agents who are collecting accounts are required to submit a request for approval prior to initiating any legal action. INHS leadership will review the request and account information to ensure the legal action meets criteria determined by INHS.

Legal action is considered an ECA. Accordingly, legal action may not be initiated under any circumstances prior to 121 days after the first post-discharge billing statement is issued. Prior to 240 days after the first post-discharge billing statement is issued, legal action must be suspended or dismissed immediately if the patient submits an application for financial assistance.

Once a collection agency has filed to initiate legal action INHS will not routinely intervene or recall an account once filed.

5. Agent Contracts

Where applicable, contracts or agreements with outside agents shall maintain guarantor confidentiality and comply with this policy, the Fair debt Collection Act, Fair Credit Reporting Act, Medicare rules and regulations governing Medicare placed accounts and all related applicable federal and state statutes. All contracts must also agree to comply with federal and state regulations and 501(r) guidelines, including requiring outside agents to comply with all 501(r) requirements governing ECAs at any time before 240 days after the first post-discharge billing statement is issued.

All external agencies will be required to comply with HIPAA regulations and must sign a business associate agreement.

PROCEDURE:

1. INHS will review unpaid guarantor balances on a regular basis and at various intervals.
2. INHS will make attempts to collect using reasonable collection efforts. Reasonable efforts include, but are not limited to the following:
 - a. The issuance of a bill for medical services after discharge; and/or
 - b. Subsequent billings, collection letters, telephone calls or personal contacts with the party, such that a genuine collection effort is demonstrated.
3. When valid contact information is available, INHS will generally make three (3) attempts and two (2) call attempts to contact the guarantor. During each of these communications INHS will also provide verbal information on the FAP during each contact, prior to sending an account to a collection agency.
4. Accounts in statuses identifying them with certain characteristics such as mail skips may be written off to bad debt and escalated to a collection agency placement at a faster rate if skip tracing efforts have been unsuccessful.
5. INHS will review accounts to determine if the uninsured discount was applied appropriately.
6. If a bill remains unpaid and all other resources including third party coverage have been exhausted INHS will review the account to determine if it is collectible. All self-pay accounts including those with balances remaining after insurance payments and those registered with self-pay as the primary payment source are eligible for Bad Debt Assignment under the terms of this policy.

7. If an account is determined to be collectible it will be approved for bad debt transfer.
8. Prior to sending an account to an outside collection agency, INHS may employ a pre-collect strategy to recoup guarantor payment before officially assigning the account to a third party bad debt collection agency.
9. Account placement is based on pre-determined split of collection agencies as defined by INHS.
10. A Medicare bad debt log will be maintained by INHS for both in-guarantor and out-guarantor services. This log will contain the appropriate Medicare designated information and meet all criteria to be assigned to the log. The Medicare bad debt log will include the hospital related coinsurance and deductibles for guarantors who have been approved for charity. In addition, it will include guarantors with self-pay balances that have been referred to a collection agency.
11. Medicare accounts must be greater than one hundred and twenty (120) days in age and have all collection efforts exhausted before being assigned.
12. Medicare accounts will be assigned to one (1) agency and will be worked in accordance with all other accounts while at the agency. Medicare accounts, while at the agency, must be collected in the same standard and framework as listed in this policy.
13. The bad debt log will be updated at least four (4) times each calendar year.
14. Facilities and clinics will be notified of all amounts written off to bad debt on a monthly basis as part of the standard month end reporting package.

DEFINITIONS:

For the purposes of this policy the following definitions and requirements apply:

1. **Bad debt:** A bad debt results from a guarantor's unwillingness to pay where he/she has the ability to pay. Bad debt may also arise from a failure to respond to collection actions. Bad debt accounts will be forwarded to a collection agency for resolution. Bad debt does not include contractual adjustments or other adjustments as per the definitions in this policy.
2. **Contractual adjustment:** This is the difference between the retail charges for services and the amount allowed by a governmental or contracted managed care payer for covered services that is subsequently written off.
3. **ECA: Extraordinary Collection Activity:** Collection actions requiring a legal or judicial process; that involve selling a debt to another party; or that involve reporting adverse information to credit agencies or bureaus. The actions that require legal or judicial process for this purpose include 1) a lien (except a medical lien as defined in RCW 60.44); 2) foreclosure on real property; 3) attachment or seizure of a bank account or other personal property; 4) commencement of a civil action against an individual; 5) actions that cause an individual's arrest; 6) actions that cause an individual to be subject to body attachment; and 7) wage garnishment.
4. **FAP: Financial Assistance Policy:** A policy setting forth the hospital's procedures to provide financial assistance to patients who may not have the financial ability to pay all their medical bills.
5. **Other adjustments:** These include:
 - a. Service recovery adjustments when the guarantor identified a less than optimal guarantor care experience or where an adverse event as defined by relevant legislation arose;
 - b. Risk management adjustments, where a potential risk liability situation is identified and INHS Risk Management has elected to absorb the cost of care and not have the guarantor billed;

- c. Payer denials where the facility was unable to obtain payment due to process issues as per contractual terms and the balance is not due from the guarantor; or
 - d. Adjustments due to process breakdown as determined by INHS.
6. **Pre-collect:** This is a program designed to make a final effort to resolve an account prior to transferring the account to a collection agency.

RECORD RETENTION:

Medicare recommends the retention of accounts receivable documentation that supports the validity of the amount being claimed as a Medicare bad debt. All documentation should be retained in accordance with INHS records retention policies and schedule. The documentation to be retained should be:

- Billing records such as the UB;
- Medicare Remittance Advice;
- Applicable collection policy; and
- Collection records.

- For charity care determinations:
 - The notice of determination; and
 - The Financial Assistance Application and supporting documentation.

REFERENCES:

Charity Care policies - Oregon, Washington and Montana