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**SCOPE:** PATIENT FINANCIAL SERVICES

**PURPOSE:** The primary mission of Southern Inyo Hospital is to provide the highest quality medical care to its patients. Southern Inyo Hospital ensures to comply with California and federal law, promote financial transparency, and protect patients, particularly those eligible for financial assistance.

**DEFINITIONS:**

**Accounts Receivable and Notes Receivable:**

- These are designations for claims arising from rendering services and are collectible in money in the relatively near future.

**Agency Placement:**

- Outside collection agencies are used to collect accounts in Bad Debt Collection Status. When an account is in Bad Debt Collection Status, it has not been deemed totally worthless and uncollectable.

**Allowable Bad Debt:**

- Allowable bad debts are bad debts of the provider resulting from uncollectable deductibles and coinsurance amounts and meeting the criteria set forth in Section 308 of the CMS Provider Reimbursement Manual. Allowable bad debts must relate to specific deductibles and coinsurance amounts.

**Bad Debt:**

- Bad debts are amounts considered to be uncollectible from accounts and notes receivable which are created or acquired in providing services. Bad debt is an uncollectible account resulting from the extension of credit.

**Contractual Allowances or Discounts:**

- Contractual Allowances or discounts are the excess of the hospital's normal charge for healthcare services over the payment received from third party payors under contractual agreements.

**Charity Allowances:**

- Charity allowances are reductions in charges made by the provider of services because of indigence or medical indigency of the patients.

**Deductible and Coinsurance Amounts:**

- Deductible and coinsurance amounts are a mounts payable by beneficiaries for covered services received from providers of services, excluding medical and surgical services rendered by physicians.

**Extraordinary Collection Action (ECA):**

- Under IRC Section 501(r), tax-exempt hospital must comply with specific financial assistance and billing regulations. Hospitals cannot engage in ECAs before making reasonable efforts to determine if a patient qualifies for financial assistance.

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Financial Assistance and Charity Care:

- A separate policy that describes Southern Inyo Hospital’s financial assistance and Charity Care Program including the criteria patients must meet in order to be eligible for financial assistance as well as the process by which individuals may apply for financial assistance. This policy can be obtained free of charge at Southern Inyo Hospital via email, on the website, or by contacting the Business Office at (760) 876 – 5501.

**POLICY:** Southern Inyo Hospital is committed to comply with fair and lawful billing and collections practices. This Policy outlines permissible collection activities and prohibits actions that violate patient protections under California’s Hospital Fair Pricing Act and related laws.

Southern Inyo Hospital is committed to financial stability and preserving resources for indigent care.

Information obtained from income tax returns, pay stubs, or the monetary assets documentation collected for the discount payment or charity care eligibility determination may not be used for collection activities.

Payment on accounts will be pursued consistently regardless of race, color, religion, national origin, age, sex, sexual orientation, gender identity, or expression, disability, education, employment or student status, disposition, relationship, insurance coverage, community standing, or any other discriminatory differentiating factor.

The guarantor is financially responsible for documented services received. It is the guarantor's responsibility to understand their insurance coverage, with self-pay liability determined by their group policy. Southern Inyo Hospital will follow the insurance carrier’s adjudication to identify self-pay balances for contracted insurance carriers.

**PRACTICES:**

1. Patient Billing & Communication
  - a. Southern Inyo Hospital will provide clear, itemized bills to patients and their guarantors.
  - b. Patients will receive at least **three** notices before any collection actions is taken.

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- c. Financial assistance applications will be made available at no cost and will be accepted for up to 240 days after the first bill.

2. Prohibited Collection Actions

Southern Inyo Hospital will not engage in the following actions to collect medical debt:

- a. Selling a patient’s debt to a third party unless the buyer adheres to Southern Inyo Hospital’s financial assistance policies.
- b. Denying or delaying medically necessary (non-emergent) care due to unpaid bills if the patient qualifies for financial assistance.
- c. Requiring upfront payment for medically necessary (non-emergent) care if the outstanding debt is eligible for financial assistance.
- d. Placing a lien on a patient’s primary residence.
- e. Foreclosing on a patient's real property.
- f. SB 1061 (2025) prohibits consumer credit reporting agencies from including medical debt information in consumer credit reports.
  - i. Violating this provision renders the medical debt void and unenforceable.

3. Permitted Collection Actions

If a patient does not qualify for financial assistance and fails to establish a payment plan, Southern Inyo Hospital may:

- a. Refer the account to a third-party collection agency without selling the debt.
- b. File a civil lawsuit to recover unpaid debt, only after:
  - i. Determining the patient does not qualify for financial assistance.
  - ii. Proving at least 180 days’ notice before legal action.
  - iii. Offering a reasonable payment plan based on the patient’s income.

4. Financial Assistance & Payment Plans

- a. Southern Inyo Hospital will actively screen patients for charity care and financial assistance eligibility before pursuing collections.
- b. If a patient qualifies, their bill may be reduced or given based on income.
- c. Patients who do not qualify may request a reasonable, interest-free payment plan.

5. Before pursuing Extraordinary Collection Actions (ECAs), the hospital must:

- a. Provide a written notice about financial assistance available.
- b. Allow at least 120 days from the first billing statement before initiating ECAs.
- c. Give an additional 30-day notice before taking legal action.
- d. Wait at least 240 days from the first bill before selling or transferring debt.

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e. Screen for financial assistance eligibility before proceeding with ECAs.

6. Southern Inyo Hospital may engage in Extraordinary Collection Actions (ECA) such as:
  - a. Selling patient debt to a third party.
  - b. Legal actions, including lawsuits and liens on property.

**PROCEDURE:**

1. Every patient or guarantor will be given reasonable time and communication to be aware of and understand their financial responsibility.
2. A statement of hospital and physician services will be sent to the patient or guarantor in incremental billing cycles.
3. Billing representative may attempt to contact the patient or guarantor via telephone, mail, collection letter, or email in order to pursue collections.
4. Collection efforts are documented in the patient’s account.
5. Accounts with a “Return Mail” status are eligible for collection assignment after all good-faith efforts to identify a correct address have been documented and exhausted.
6. As stated in Southern Inyo Hospital’s Financial assistance and Charity Care policy, a patient may qualify for a payment plan for any patient out-of-pocket fees. The payment plan shall consider the patient’s family income, and the amount owed.
7. Accounts at a collection agency may be recalled and returned to Southern Inyo Hospital at the discretion of Southern Inyo Hospital or according to state or federal laws and regulations. Southern Inyo Hospital may choose to work the accounts to resolution with the Guarantor or third party as needed or place the accounts with another collection agency.
8. After these items have been completed and no action to pay by the guarantor or patient was taken, the account(s) will be processed as follows:
  - a. All accounts with a balance of \$10.00 or greater will qualify for automatic placement with an outside collection agency.

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- b. All accounts with a balance of \$9.99 or less will qualify for automatic small balance write off.
- c. After the outside collection agency determines that the debt is uncollectible or after the small balance write off was completed, a 1099M form will be issues by February 28<sup>th</sup>, if by mail or March 31<sup>st</sup> if by electronic file to IRS.

REFERENCES:

1. IRC 501-R
2. CALIFORNIA SENATE BILL 1061 (SB 1061)
3. HOSPITAL FAIR PRICING ACT (AB 774)
4. FAIR DEBT COLLECTION PRACTICES ACT (FDCPA)
5. FAIR CREDIT REPORTING ACT (FCRA)
6. NO SURPRISES ACT
7. MEDICARE CMS MANUAL 15: THE PROVIDER REIMBURSEMENT MANUAL.

RECORD RETENTION AND DESTRUCTION:

Maintenance of records is for a minimum of fifteen (15) years.

APPROVAL	DATE	APPROVAL	DATE
Department/Division Manager	04/18/2025	Interdisciplinary Team	
Unit Medical Director (if applicable)		Governing Board	04/21/2025
Medical Staff Committee (if applicable)		Administration	04/18/2025
Reviewed By: Karen Garcia	4/18/2025	Reviewed By: Board of Directors	04/21/2025
Reviewed By:		Reviewed By: Maritza Perkins	04/18/2025