

**VALLEYGATE DENTAL SURGERY CENTERS  
INSTITUTIONAL POLICIES & PROCEDURES**

Revision # 1.0	Title: Patient Responsibility Collection Policy and Bad Debt	Date Reviewed: 01/17/2017
Effective Date: 03/01/2018	Prepared By: QI / Risk Manager	Date Approved: 01/17/2018
Standard:	Reviewed By: Chief Financial Officer	Policy#
Page: 1 of	Approved By: Chief Executive Officer	Medicare CfCs:

**PURPOSE:**

To define the policy for billing and collection of self-pay account receivables, ensuring reasonable collection efforts are administered. This policy assumes that the outstanding balance pursued is owed by the patient/guarantor.

**DEFINITIONS:**

Agency Placement: Outside Collection Agencies are used to collect accounts in Bad Debt Status. When an account is in Bad Debt Status, it has not been deemed totally worthless and uncollectible.

Group Policy: The insurance policy purchased on behalf of the Guarantor by a larger (typically Employer) group.

Guarantor: The person who is financially responsible for the patient's bill. In the case of an adult, the patient is his/her own guarantor. A parent or legal guardian must be present with children under the age of 18 because they cannot be listed as their own guarantor. If the parents are separated or divorced, the parent that presents the child for treatment is the responsible guarantor.

Medically Necessary: Medical Necessity is determined by a combination of the clinician's documentation and evaluation and third party payer restrictions.

Patient Responsibility: Any balance due where the financially responsible party is the patient or the patient's guarantor (not a third party payer). Also known as "Self-Pay".

Patient Statement or Statement: A bill for services rendered. This can be a summary of activity or a detailed bill, listing each charge (and credit, if applicable) on a patient account.

VDSC: Valleygate Dental Surgery Centers

**POLICY:**

Payment on accounts will be pursued consistently, regardless of: race, primary language, gender, age, religion, education, employment or student status, disposition, relationship, insurance coverage, community standing, or any other discriminatory differentiating factor.

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Every Guarantor will be given reasonable time and communication to be aware and understand their financial responsibility. The guarantor will be held financially responsible for services provided and adequately documented. In most cases, the patient will be notified in advance of the financial responsibility if the elective service is delivered. Understanding each guarantor's insurance coverage is the responsibility of the guarantor. Any self-pay liability secondary to insurance coverage is defined by the guarantor's Group Policy. VDSC will rely on the insurance carrier for identifying self-pay balances. All patient accounts will be reviewed before sending to collections.

### **PROCEDURE:**

- A statement of the ASC's and/or Anesthesia services is sent to the patient/guarantor in incremental billing cycles.
- VDSC representatives may attempt to contact the patient/guarantor (via telephone, mail, collection letter, or email) during the statement billing cycle in order to pursue collections. Collection efforts are documented on the patient's account.
- The final statement/letter message indicates that the account will be referred to an outside collection entity if not paid or resolved.
- After the final statement and no contact made by the guarantor/patient the account will qualify for automatic placement with the outside collection agency (90 days on the VDSC accounting system and 90 days on the physician accounting system).

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### **Reasonable Collection Efforts**

To be considered a reasonable collection effort as stipulated in the CMS Provider Reimbursement Manual (PRM) 15-1, Section 310 requires that a provider's effort to collect must involve the issuance of a bill on or shortly after discharge or death of the beneficiary to the party responsible for the patient's personal financial obligations. The PRM indicates that the collection effort should include other actions such as subsequent billings, collection letters and telephone calls or personal contacts with this party which constitute a genuine, rather than a token collection effort. The provider's collection effort may include using or threatening to use court action to obtain payment.

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- **Bad Guarantor Address:** (BGA) Reasonable measures will be taken to locate the correct address. If reasonable attempts fail, the standard practice (defined below) for an account in consideration for Outside Collection Agency placement will be followed.
  - **Payment Arrangements:** When an under-insured or uninsured patient contacts Patient Financial Services, a variety of payment arrangements may be available.
  - If the patient defaults on a payment, the account will transfer to a bad-debt status (placed with an outside collection agency). At that point the financial class would

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reflect bad-debt. Account remains in bad debt status until paid in full or resolved.

- Early Transfer to Collection Agency: During reasonable collection efforts, the account can be manually transferred to an outside collection entity (collection agency, district magistrate, collection attorney) at any time during the statement billing process based on the patient's refusal to pay, bad debt history, credit report review, non-responsiveness to our collection efforts, or management discretion.
- Collection Attorney Placement: The decision to place an account with the collection attorney is based on outstanding balance amount and ability to pay. There are instances that an account is placed with the attorney when the patient/guarantor is required to complete a form for the insurance carrier and has not done so or when there is third-party litigation pending. In accordance with G.S.131E-91(d)(5), the North Carolina Doctrine of Necessaries applies.
- In the case that the account was initially placed with the Collection Attorney and returned to VDSC as uncollectible, the account may be referred to the outside collection agency to pursue further collection efforts.

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### **Use of Collection Agencies**

Section 310(A) of PRM 15-1 permits the provider's collection effort to include the use of a collection agency in addition to or in lieu of subsequent billings, follow-up letters, telephone and personal contacts.

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- The outside collection entities may report the account to the credit reporting bureau. VDSC and the outside collection entities will follow the Fair Debt Collection Act during collection activities.
  - The VDSC system will reflect a financial class change. However, if recovery is received, it will offset the original bad debt.

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### **Allowable Medicare Bad Debt Defined**

The Code of Federal Regulations (CFR) at 42 CFR 413.89(e) defines the criteria for an allowable Medicare bad debt. It requires that the Medicare bad debt meet four basic criteria: (1) the debt must be related to covered services and derived from deductible and coinsurance amounts; (2) the provider must be able to establish that reasonable collection efforts were made; (3) the debt was actually uncollectible when claimed as worthless and; (4) sound business judgment establish that there is no likelihood of recovery in the future.

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- At any time during the course of reasonable collection efforts, it is determined that the patient cannot afford to pay for the outstanding debt, charity care is considered as outlined in our [Charity Care Policy](#).

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**Charity Care**

According to 42 CFR 41 3.89(b) (2) charity allowances are reductions in charges made by the provider because of the indigence or medical indigence of the patient. The PRM 15-1 Section 328 clarifies that charity care, courtesy, and third-party payer allowances are not reimbursable Medicare costs and cannot be claimed as Medicare Bad Debts.

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**PERSON RESPONSIBLE FOR REVIEW OF POLICY** Chief Financial Officer