

Policy / Procedure:

## Billing and Collection Policy

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**KEY TERMS:** Billing, Collection

### I. **PURPOSE:**

This policy, together with Carilion’s Emergency Medical Care and Financial Assistance Policies, is intended to meet the requirements of applicable federal, state, and local laws, including, without limitation, section 501(r) of the Internal Revenue Code of 1986, as amended, and the regulations thereunder. This policy establishes the actions that may be taken in the event of nonpayment for medical care provided by Carilion, including collection actions and reporting to credit agencies. The guiding principles behind this policy are to treat all patients with dignity and respect and to ensure appropriate billing and collection procedures are uniformly followed in order to ensure Carilion’s stewardship of our patients’ and communities’ resources and to achieve long-term sustainability as a provider of health care services.

The goal of the Billing and Collection Policy is to ensure timely collection of accounts receivable of the organization. Carilion will not engage in any extraordinary collection actions (ECAs) until a reasonable effort has been made to determine whether the patient is eligible for assistance under the Financial Assistance Policy (FAP). Patient Payment Services is responsible for making the decision that Carilion has engaged in reasonable efforts to determine whether a patient is eligible for financial assistance and may engage in ECAs with respect to the patient.

### II. **SCOPE:**

### III. **DEFINITIONS:**

**Billing Customer Service** - The department that is responsible for addressing billing and payment questions.

**Extraordinary collection actions (ECAs)** – Any collection action that may be taken by Carilion against an individual to obtain payment for medical care that requires a legal or judicial process (including but not limited to wage garnishment, liens, and lawsuits); reporting adverse information to credit agencies; and selling a debt.

**Financial Assistance Policy (FAP)** – The policy outlining the circumstances under which Carilion will provide free or discounted care to patients.

Medically Necessary – Shall have the same meaning as such term is defined for Medicare (services or items reasonable and necessary for the diagnosis or treatment of illness or injury).

Patient Responsibility - Amount that the patient/guarantor is personally responsible for payment, including but not limited to: co-payments, co-insurance, deductibles and other balances that remain after any insurance payments are applied.

Third-Party Coverage – (1) A third-party insurer, (2) An ERISA plan, (3) A federal, state, or, local governmental health care program (including without limitation Medicare, Medicaid, SCHIP and TRICARE), and (4) Workers' Compensation, Medical Savings Accounts, or other coverage for any part of the bill, including claims against third parties covered by insurance to which Carilion is subrogated, but only if payment is actually made by such insurance company.

Uninsured - The patient has no level of insurance, third party assistance, Medical Savings Account, or claims against third parties covered by insurance to assist with meeting his payment obligations.

#### **IV. PROCEDURE:**

Carilion requires payment for any known patient responsibility for medical care prior to or at the time care is provided (other than Emergency Care). With respect to Emergency Care, Carilion will require payment for any known patient responsibility for medical care after the care is provided. Patients refusing to pay their financial responsibility at the time of service will be counseled as to these requirements.

Patients who do not identify their insurance coverage at the time of service will be registered as being fully responsible for payment until the Billing Customer Service office is otherwise notified (1-866-720-3742). It is the responsibility of the patient to provide the hospital, practice office or the billing office with a copy of the insurance card.

If a patient has not paid in full at the time medical care is provided, Carilion will bill the patient for his responsibility after receipt of Third-Party Coverage payments. Patients will receive up to 3 statements, generated at 30-day intervals.

All billing statements will include a written notice regarding the availability of financial assistance under our FAP, including contact information identifying where the patient may obtain further information and financial assistance-related documents and the website where such documents may be found.

Bills are sent typically after an insurance payment is received or when a patient responsible balance is determined, usually within 30 days of receipt of the insurance payment. A Final Notice letter containing information on how to request financial assistance and payment options will be mailed to the patient after the third statement. Payment options include cash, bank drafts, credit cards, extended payment plans, and other financing options. Unpaid accounts without payment arrangements will be turned over to a collection agency. If payment in full is not received within the normal billing statement period, the billing office may recommend that the account be turned over to a collection agency.

### **PATIENTS NEEDING FINANCIAL ASSISTANCE**

Financial Assistance is available through Carilion for any patient whose charges may exceed the patient's ability to pay as determined under the Carilion Financial Assistance Policy. The Billing Customer Service office will ask patients who indicate inability to pay to complete a Financial Assistance Application (FAA) for the services being billed. The patient will be given a FAA to complete (either on paper or via electronic format (e.g. website) based on the patient's preference). If qualified and approved for Financial Assistance, Carilion will make related adjustments to the patient's account. A patient may apply for Financial Assistance within a period of 240 days from the date of the first post-discharge billing statement. Patients will be provided a plain language summary of the Financial Assistance Policy upon request.

### **APPLICATION OF PAYMENTS**

Carilion will use any payments made, but where the patient did not identify the account or if the patient subsequently is determined to be eligible for financial assistance, the payment will be applied to satisfy the balance due on any other accounts for the patient or responsible party. Carilion will apply any payments which are less than the full amount due and not designated to a specific date of service or provider first to the date of the oldest service listed on the billing statement; if both hospital and physician services have the same date of service, payments will first be applied to the oldest account (lowest account number) on the bill and then to the next lowest account until all funds are applied. Any remaining overpayment amount will then be refunded to the patient.

Carilion considers accounts included under its presumptive eligibility process for financial assistance to be closed and any patient payments for these services will not be refunded. Any patient payments for covered services not considered Financial Assistance that are collected in advance of the Determination of Eligibility will not be refunded.

## **RETURNED CHECKS**

A \$35.00 service charge may be added to the account for returned check processing and the amount of the check will be charged back to the account. The returned check is sent to the patient with a letter informing the patient of the \$35.00 fee.

## **BANKRUPTCY**

When Carilion receives notification of a Chapter 7 bankruptcy filing or discharge, the account is written off to bankruptcy. All billing activity and communication with the patient will stop with respect to activity prior to the bankruptcy date. When the billing office receives notification of a Chapter 7, Chapter 7 with assets or Chapter 13 bankruptcy, all communication with the patient will stop and the instructions of the court will be followed with respect to activity prior to the bankruptcy date.

## **COLLECTION AGENCY / LEGAL COLLECTION ACTIVITY**

When accounts receivable efforts are exhausted, any account with a positive balance may be placed with a collection agency and ECAs may be considered. Accounts will not be placed with a collection agency prior to 120 days from the date the first post-discharge billing statement is provided except when mailings are returned with no forwarding address and combining multiple accounts of varying age with those already transferred or for legal verification regarding other liabilities. Reasonable efforts will be made to identify appropriate forwarding addresses.

When a FAA is received during the application period (within 240 days after the date the first billing statement is provided), but after initiation of ECAs, all ECAs will be suspended. Best efforts will be made to process completed applications within 30 days of receipt of the application; financial assistance eligibility will be determined and communicated to the individual. Incomplete applications must be completed within 30 days of the initial notification of additional items required; otherwise, the application will be deemed incomplete and closed. If an individual is eligible for financial assistance, ECAs, other than the sale of debt, will be reversed and any payments related to eligible care refunded to the extent no longer owed. ECAs will be reinstated if the individual is not eligible for financial assistance or does not complete the FAA by the deadline.

At least 30 days before initiating an ECA, and after sending at least 3 statements, Carilion will send the patient written notice of intended ECA(s), a plain language summary explaining financial assistance available and the process for determining eligibility, and the deadline for applying for assistance. Carilion will also attempt to call individuals at least 30 days before initiating an ECA to make them aware of the financial assistance available and how to obtain assistance with the application process.

Carilion shall enter into a written contract with any collection agency to which it refers bad debt. The contract will obligate the collection agency to observe and comply with Carilion's obligations under this Policy, the Financial Assistance Policy and the Internal Revenue Code Section 501(r). A collection agency to which bad debt is referred for collection may not engage in any ECAs without the prior written consent of Carilion.

After making reasonable efforts to determine if a patient qualifies for Financial Assistance and upon determination that the patient is able but unwilling to pay, if no positive patient response is received within 120 days from the date the first billing statement is provided, Carilion may engage in one or more of the following ECAs: 1. Place a lien on an individual’s property; 2. Attach or seize an individual’s bank account or any other personal property; 3. Commence a civil action against an individual; 4. Garnish an individual’s wages; 5. Sell an individual’s debt to another party; or 6. Report the account to credit agencies.

Individual account balances greater than \$5,000 are not sent to a collection agency. These are handled through the Debt Recovery Department (DRD) for verification of Financial Assistance status before further collection activity occurs. DRD will also investigate any accounts that require special handling. For example, when the billing office becomes aware that a patient is deceased, auto accident or any other unique circumstances requiring special handling, the accounts are placed with the DRD.

When all collection efforts have been exhausted, all hospital accounts will be returned and closed as uncollectible. No further collection activity is taken at that time. Accounts with satisfactory payment arrangements, legal activity or accounts with pending payment will be considered active and are not returned.

**V. OTHER ISSUES / CONCERNS:**

**Approvals**

| Name              | Title                         | Dept./Committee | Date             |
|-------------------|-------------------------------|-----------------|------------------|
| Virginia Frazier  | Interim Leader, Revenue Cycle |                 | January, 2023    |
| Virginia Frazier* | Interim Leader, Revenue Cycle |                 | February 1, 2022 |
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\* Update to conform with 2022 Financial Assistance Policy