|  |  |  |
| --- | --- | --- |
| Bad Debt | **Last Revision** | November 2015 |
| **Last Reviewed:** | October 2017 |
| **Applies to the following THA Group of Companies:** | * Island Health Care * Island Hospice * Independent Life at Home * Ideal Aging * RightHealth Clinic * Palliation Choices * RightHealth® |
| **Included in the following THA Manual:** | Administrative Policies & Procedures  Finance |

## PURPOSE

To standardize the process for recognition and approval of uncollectable revenue.

## DEFINITION

Accounts may be allocated as "bad debt" for the following reasons:

#### Payment denial based on timeliness

* Payment denial/rejections with no opportunity for appeal
* Patient deceased with no estate
* Non- payment of an account after repeated attempts to collect at both the Home Office and Branch level
* No authorization
* Visits exceeded
* Out of network

## PROCEDURE

1. Each month Finance & Accounting Department:
   1. Will review all Accounts Receivable accounts to identify those accounts that are potentially uncollectable.
   2. Will produce a summary of these accounts by Agency & Payer.
   3. Will analyze the adequacy of the balance sheet reserves to support each potential bad debt allocation.
   4. Will review all collection attempts on any account appearing on the potential write-off summary report for (3) months.
2. After all collection attempts have been made at both the Home Office and Branch Office levels:
   1. Accounts in excess of $100.00 will be submitted to the Director of Revenue Optimization for approval with the Allocations of Accounts Receivable Over $100 form.

* The Director of Revenue Optimization will indicate his/her approval of a bad debt allocation by signing the form and forwarding to the VP of Home Health/Hospice. He/she will then review the write offs with the DPCC/Hospice Team Lead. Once signatures are received from the VP of Home Health/Hospice and DPCC/Hospice Team Lead, it will then be forwarded to the VP of Finance for signature and then sent to the President/CEO.
* The original signed form will be saved in patient’s **electronic medical record.** 
  1. Small Balance accounts of $100.00 or less may be written off without approval.
  2. The Finance & Accounting Department will make recommendations for additional bad-debt reserve [when indicated] and communicate the net income effect to the Coordinating Council.

1. The Finance & Accounting Department will reconcile all bad debt allocations with data recorded in the General Ledger.