

## BUDGET POLICY AND REPORTING MANUAL

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| <i>date</i><br>4/1/93 | <i>subject</i><br><b>OVERVIEW OF COLLECTION SEQUENCE<br/>FOR ACCOUNTS RECEIVABLE</b> | <i>item</i><br>K-030 |
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### A. Purpose and Scope

This item establishes policies and procedures prescribed by the Director of the Budget for all State agencies regarding appropriate actions to collect payment for their accounts receivable.

Accounts receivable represent resources of the State and its taxpayers. Failure to collect these receivables tends to increase the need for additional tax revenue. Specific collection activities may vary from agency to agency, depending on the nature and dollar value of debts. The sequence of collection actions is critical to collecting full payment. This item prescribes the parameters and timeframes for referring past-due debts to outside collection agencies.

State agencies shall establish and promulgate policies and procedures which will specify agency-wide standardized collection requirements. An agency's policies and procedures should be tailored to that agency's specific types of receivables and operations.

### B. Overview of Collection Sequence for Non-Medical Debt

#### 1. 1 to 30 Days Past-Due

Section 18 of the State Finance Law provides that a debtor has 30 days from the assumed receipt of the first bill to pay a debt to a State agency in full before the State agency shall assess interest or a late payment charge. (See Item K-032.)

For example, if a State agency sends a bill on June 1, then it should assume that the debtor receives the bill on June 6 — day 6. This is five days after the mailing of the bill (this timeframe is prescribed in statute). The debtor then has until July 6 — day 36 — to pay the debt without incurring any interest or penalty.

NOTE: This sequence for assessing interest does not apply to those agencies that requested and received the Director of the Budget's approval for assessing interest or a late payment charge on specific classes of debt later than the thirtieth day of the debtor's receipt of the first bill.

#### 2. 31 to 120 Days Past-Due

Within certain parameters, State agencies have flexibility to determine the collection approach during the first 120 days that a debt is past-due. With the exception of debts for which a legal action has been initiated, a State agency has four collection options during the first 120 days that a debt is past-due:

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- a. Pursue in-house collection efforts.

The State agency shall pursue its own collection efforts during the first 120 days that a debt is past-due unless that agency determines that it would be more appropriate or cost-effective to refer the debt to an external collection entity during this time period. As described in Item K-031 of these Guidelines, effective collection methods that agencies can utilize include payment request letters and telephone calls.

The State agency must pursue in-house collection efforts for any debt less than \$25, as long as the estimated collection cost does not exceed the amount owed. Past-due debts less than \$25 should not be referred to an outside collection entity.

- b. Refer the debt to a private collection agency.

In some instances, it may be more cost-efficient to use a private collection agency when a debt is between 31 to 120 days past-due. State agencies should not contract with a private collection firm on an individual basis. Detailed procedures for contracting with private collection firms will be made available in a Budget Bulletin issued by the Director of the Budget.

- c. Refer the debt to the Attorney General's Office.

A State agency may choose to refer any past-due debt to the Attorney General's Office. It is important to note, however, that a State agency **must** refer to the Attorney General's Office **any** debt for which legal action has been taken against the State, or that involves bankruptcy or estate settlement.

- d. Certify the debt to the Department of Taxation and Finance.

Once a debt is more than 90 days past-due, a State agency may certify it to the Department of Taxation and Finance, provided that it is \$25 or above and is past-due and legally enforceable. The Department of Taxation and Finance may then attempt collection through offset against tax refunds or other State payments. (See Appendix E of these Guidelines for a detailed discussion.)

**NOTE:** While State agencies may refer debts that are 31-120 days past-due to an external entity, it is important to note that State agencies have the primary responsibility to collect debts owed to the State.

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However in all cases, if a debtor contacts a State agency after that debtor's past-due account has been referred to a private collection agency or the Attorney General's Office, the State agency should instruct the debtor to contact the appropriate outside collection entity. If the State agency has certified the debt to the Department of Taxation and Finance, the creditor State agency is the appropriate contact for any questions from a debtor. If the Attorney General's Office has certified the debt to the Department of Taxation and Finance, then the Attorney General's Office is the appropriate contact for any questions from a debtor. The Department of Taxation and Finance will refer debtor inquiries to the creditor State agency or to the Attorney General's Office, as appropriate.

### 3. 121 to 300 Days Past-Due

When a debt \$25 and over becomes 121 days past-due, the State agency must refer the debt to an outside collection entity or certify the debt to the Department of Taxation and Finance if it is past-due and legally enforceable, unless one of the following conditions is met:

- ! The debt has already been referred;
- ! A deferred payment arrangement has been established and the debtor is meeting the conditions of the deferred payment arrangement;
- ! The debt is undergoing an administrative or adjudicatory proceeding within the agency or legal action has been taken; or
- ! State or Federal statutes or regulations prescribe a different collection sequence.

Unless one of the above conditions is met, a State agency must refer debts that are 121 days past-due according to the following dollar thresholds:

#### a. Between \$25 and \$499

A State agency must refer any debt that is 121 days past-due and between \$25 and \$499 to a private collection agency or certify the debt to the Department of Taxation and Finance if it is past-due and legally enforceable.

#### b. Between \$500 and \$999

A State agency must refer any debt that is 121 days past-due and between \$500 and \$999 to a private collection agency or the Attorney General's Office

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or certify the debt to the Department of Taxation and Finance if it is past-due and legally enforceable.

c. \$1,000 or Above

A State agency must refer any debt that is 121 days past-due valued at \$1,000 or above to the Attorney General's Office or certify the debt to the Department of Taxation and Finance if it is past-due and legally enforceable. Subject to the approval of the Division of the Budget, a State agency may refer these debts to an alternate collection entity if it can demonstrate that such an alternative is more appropriate or cost-effective. The Division of the Budget may solicit comments from the Attorney General's Office prior to taking action on such requests.

d. Litigation

A State agency must refer to the Attorney General's Office any debt for which legal action has been taken against the State or that involves bankruptcy or estate settlement, regardless of the debt amount.

4. 301 Days Past-Due

After a State agency refers a debt to a private collection agency or to the Attorney General's Office, those outside entities have six months from the time the debt is referred to collect payment. The Attorney General's Office or an agent of the creditor State agency may, during this six month period, enter into a deferred payment arrangement.

If six months elapse and a debt that has been referred to the Attorney General's Office meets the following conditions, then the Attorney General's Office must certify the debt to the Department of Taxation and Finance, if the debt is past-due and legally enforceable:

- ! The debt has not been fully paid;
- ! The debtor has not signed a written agreement for a deferred payment arrangement; and
- ! Legal action has not been taken or an administrative adjudication or proceeding has not been requested.

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If six months elapse and a debt that has been referred to a private collection agency meets the following conditions, the private collection agency must return the account to the creditor State agency, unless provided otherwise by a contract:

- ! The debt has not been fully paid;
- ! The debtor has not signed a written agreement for a deferred payment arrangement; and
- ! Legal action has not been taken or an administrative adjudication or proceeding has not been requested.

Any past-due debt \$25 and above returned from a private collection agency shall be certified by the creditor State agency to the Department of Taxation and Finance, if such debt is past-due and legally enforceable.

### 5. After Certification

Certifying a debt for offset does not guarantee that the full payment will be collected. In the case of a tax refund offset, several scenarios are possible:

- ! The debtor may not have filed a New York State tax return for the current year;
- ! The debtor may not be receiving a refund in the current year;
- ! The debtor may have already filed and received a refund; or
- ! The debtor's refund may be less than the total amount past-due (insufficient offset).

In the case of contract offset, similar scenarios are possible:

- ! The debtor may not be receiving a contract payment during that period;
- ! The debtor may have already received a contract payment for that period; or
- ! The debtor's contract payment may be less than the total amount due (insufficient offset).

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It is the responsibility of the State agency to periodically review the status of debts certified to the Department of Taxation and Finance to determine appropriate alternative collection actions.

The following table summarizes the debt collection sequence for non-medical debts more than 30 days past-due:

**NON-MEDICAL ACCOUNTS RECEIVABLE COLLECTION SEQUENCE**

|                          |                        | State Agency Discretion |             | Required Referral<br>(if not already referred) |      |
|--------------------------|------------------------|-------------------------|-------------|--|------|
|                          | AMOUNT<br>PAST-<br>DUE | — DAYS PAST DUE —       |             |  |      |
|                          |                        | 31-90                   | 91-120      | 121-300  | 301+ |
| No Legal<br>Action Taken | \$25-499               | A/PC                    | A/PC/TAX    | PC/TAX   | TAX  |
|                          | \$500-999              | A/AG/PC                 | A/AG/PC/TAX | PC/AG/TAX                                      | TAX  |
|                          | \$1,000 +              | A/AG/PC                 | A/AG/PC/TAX | AG/TAX   | TAX  |
| Legal Action<br>Taken    | \$25 +                 | AG                      | AG          | AG   | AG   |

A - Retained by State Agency  
 AG - Attorney General's Office  
 TAX - Department of Taxation and Finance  
 PC - Private Collection Agency

State agencies shall establish and promulgate policies and procedures which will specify agency-wide standardized collection requirements. An agency's policies and procedures should be tailored to that agency's specific types of receivables and operations. These policies and procedures will be provided to the Division of the Budget upon request.

**C. Collection of Medical Debt**

1. Introduction

The State University hospitals, hospitals operated by the Department of Health, and other facilities operated by State agencies with medical debt are responsible for

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following sound accounts receivable practices, including collecting patient information, billing the appropriate party in a timely manner and attempting to collect full payment within a reasonable timeframe. Agencies should establish centralized written policies that provide for appropriate accounts receivable practices that are consistent with the intent of these Guidelines.

Due to the involvement of third party payers (e.g., Medicare, Medicaid and commercial insurance companies), hospital billing and collection activity tends to be more complex than other State revenue collection operations. State hospitals and facilities are expected to use their best efforts to maximize third party payments and collect unpaid balances from the patient or patient guarantor. While patients may have multiple sources of insurance coverage for their medical expenses, it is important to recognize that ultimately, **the patient or the patient guarantor is responsible for a medical debt.**

### 2. Minimum Requirements for Admission, Billing and Collection Operations

State hospitals and facilities are expected to establish and document internal procedures for billing and collection of inpatient, outpatient, and ancillary services. These internal procedures must be approved by the appropriate State agency and provided to the Division of the Budget upon request.

- a. Minimum requirements for both inpatient and outpatient accounts should include:
  - i. Complete patient and patient guarantor information:
    - ! Patients not admitted through the Emergency Room should provide complete information including patient and patient guarantor name, address, Social Security Number, insurance coverage (Medicare, Medicaid or commercial coverage), and employer information prior to admission or before receiving outpatient services.
    - ! The individual responsible for the patient's bill must be identified. This individual shall be the patient guarantor and shall be requested to sign a form acknowledging that she/he is responsible for the medical debt.
    - ! State hospitals and facilities must obtain from the patient or patient guarantor an insurance form(s) or the appropriate

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information needed to bill an insurance company. The patient or patient guarantor should sign both an authorization form to release the information and an authorization to have the insurance benefits paid directly to the hospital or medical facility.

- ! Patients should be asked to provide proof of coverage (e.g., insurance identification card).

ii. Third party billings:

- ! State hospitals and facilities should submit timely bills to third party payers. These bills must be accurate and complete to the extent possible. Internal written procedures should ensure that billings are correct and timely. Bills should describe medical services in a manner that facilitates eligibility and coverage by the patient's insurance provider (Medicare, Medicaid, and/or commercial coverage).
- ! State hospitals and facilities need to ensure that all potential third party payers have been identified. Internal written procedures should provide guidance in identifying all potential third party payers. State hospitals and facilities must then bill all applicable third party payers in the appropriate billing sequence (i.e., primary, secondary, tertiary).
- ! State hospitals and facilities should make reasonable efforts to ensure timely third party payments and to resolve any barriers to payment. For example, an insurance carrier may refuse payment pending additional information or documentation that the hospital can quickly provide. State hospitals and facilities should, to the extent possible, immediately provide the information or documentation to the third party. However, if a State hospital or facility observes a pattern of a third party payer requiring additional information or documentation in a manner that suggests a delaying tactic to avoid payment, then that hospital or facility should consult and confer with the Attorney General's Office.
- ! State hospitals and facilities should use electronic billing for third party payers whenever electronic billing is cost-effective.

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b. Additional Requirements for Inpatient Accounts:

- i. If a patient has been admitted to the State hospital or facility through the Emergency Room, the hospital or facility is still expected, to the extent possible, to obtain patient, patient guarantor and third party insurance information and the signatures required to complete an inpatient file before the patient is discharged from the hospital.
- ii. State hospitals and facilities should contact commercial insurance carriers and verify coverage during a patient's stay in the hospital, and, in instances of elective hospitalization, verification should be made prior to admission. This verification should include:
  - ! Description of benefits;
  - ! Preconditions, such as a second medical opinion, prior approval by the insurance carrier, etc.;
  - ! The maximum total amount for which the patient is eligible for under the insurance policy; and
  - ! Whether the patient must pay a deductible (a set co-pay or a percentage of the bill).
- iii. Securing Payment Arrangements:
  - ! State hospitals and facilities are expected to arrange for payment by a promissory note signed by the patient or the patient guarantor and/or insurance coverage and/or patient payment prior to discharge.
  - ! If it is not expected that the patient is eligible for a third party payer program (e.g., Medicare or Medicaid), hospitals and facilities should make a reasonable attempt to conduct personal interviews with the patient or the patient guarantor to make specific arrangements for payment before the patient is discharged.
- iv. Third Party Billings and Collections:
  - ! Guided by State agency policy, State hospitals and facilities should take steps to institute internal controls to ensure that all documentation needed to submit bills to third party payers is completed in a timely manner. For example, physicians should

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be required to complete attestation forms, needed to bill Medicare, within a reasonable period of time, as set by the hospital or facility, after a patient is discharged.

- ! State hospitals and facilities should contact third party payers and attempt to resolve third party disputes about hospital bills, patient treatment, or eligibility for coverage.
- ! State hospitals and facilities should contact insurance carriers on a regular basis (e.g., every 30 days) to facilitate resolution of disputed unpaid bills.
- ! At the time a bill is sent to a third party payer, a statement should also be sent to the patient advising the patient as to the status of their account. The statement should clearly indicate that "**THIS STATEMENT IS NOT A BILL OR DEMAND FOR PAYMENT**".

c. Additional Requirements for Outpatient Accounts:

- i. Each time a patient registers for outpatient services, hospitals and facilities should update patient and patient guarantor information and the patient's insurance coverage. This updated information should be incorporated in any of the hospital's or facility's outpatient permanent files.
- ii. State hospitals and facilities should request that full patient insurance co-payment (a fixed dollar amount to be paid by the patient) be made at the time the outpatient service is rendered.
- iii. State hospitals and facilities should take all steps possible to ensure that multiple low dollar outpatient visits are treated as a consolidated debt.

### 3. Self-Pay Status

- a. The patient or the patient guarantor is ultimately responsible for their hospital bill. Therefore, if all the following conditions are satisfied, the hospital or facility shall convert an inpatient or outpatient account to a Self-Pay status:
  - i. The hospital or facility has accurately billed the appropriate third party payer; and

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- ii. The hospital or facility has submitted all necessary medical and patient information to the third party payer; and
  - iii. The third party payer has not responded to the bill (e.g., made a payment, issued a rejection, or requested additional information) for more than 90 days after the hospital or facility has sent a first bill to that third party payer.
- b. Patient accounts will be identified as Self-Pay under any of the following situations:
  - i. The patient has no known insurance coverage (Medicare, Medicaid, or commercial coverage) and eligibility for such coverage is unlikely;
  - ii. All third party payments have been received by the hospital or facility and there remains an unpaid balance on the patient account; or
  - iii. There has been no response from a third party payer for more than 90 days after the hospital or facility has sent a first bill to that third party payer.
- c. Once a patient account has been identified as Self-Pay, a bill should immediately be sent directly to the patient or the patient guarantor. At a minimum, the bill shall include:
  - i. The name of the patient and the name of the patient guarantor;
  - ii. The date of inpatient admission and discharge or the date of outpatient service;
  - iii. A brief description of medical services rendered to the patient and the charge for each service;
  - iv. Information regarding bills sent to third party payers and any payments (full or partial) or rejections issued by third party payers;
  - v. The balance due from the patient or the patient guarantor and a request for full payment by a specified date; and
  - vi. An address, telephone number and contact office within the hospital or facility where the patient can direct any questions regarding the bill.

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#### 4. Overview of Medical Debt Collection Sequence

##### a. 31 to 180 Days

Within certain parameters and unless provided for in a Memorandum of Understanding between the appropriate State agency and the Attorney General's Office, State hospitals and facilities will have flexibility to determine the collection approach during the *first 180 days from the date of patient discharge or outpatient service*. Within this timeframe, with the exception of debts that involve legal action, a State hospital or facility can:

- i. Pursue in-house collections;
- ii. Refer the past-due debt to the Attorney General's Office; or
- iii. Refer the past-due debt to an outside collection agency.

Debts that involve legal action should be referred to the Attorney General's Office immediately.

##### b. 181+ Days

A State hospital or facility must refer a medical debt to the Attorney General if:

! The account is \$25 or more; and

! 181 or more days have elapsed since the patient was discharged or since the date of outpatient service.

Subject to the approval of the Division of the Budget, however, an agency may direct a State hospital or facility to refer these debts to a private collection agency if such referral is more appropriate or cost-effective. The Division of the Budget may solicit comments from the Attorney General's Office prior to taking action on such requests.

Hospitals and facilities should establish criteria for referring inpatient and outpatient accounts to the Attorney General's Office and private collection agencies and how long such entities will have to resolve the medical accounts.

Additionally, State hospitals and facilities must establish internal procedures regarding when a debt should be written-off and who may authorize writing off debts.

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The criteria for referring inpatient and outpatient accounts and internal procedures for write-off require the central approval of the appropriate State agency and should be provided to the Division of the Budget upon request.

### 5. Self-Pay Accounts

Patients should begin to receive a bill only after their account has been identified as Self-Pay. *For purposes of communication with a patient* (e.g., payment request letters), the patient or patient guarantor has 36 days from the date of the first Self-Pay billing to pay a State hospital or facility in full before the account shall be considered past-due.

Once an account is identified as Self-Pay and the patient or patient guarantor is sent a bill from the hospital or facility, the medical debt, relative to past-due aging, deferred payment arrangements and the authority to assess collection fees, should be treated in the manner provided for in these Guidelines in Items K-022, K-036 and K-033 respectively. However, as explained below, these Guidelines do not require State hospitals or facilities to collect interest for past due medical debt.

### 6. Interest

Medical accounts receivable involve unique billing requirements and time lines. In many cases, hospitals and facilities need to bill a governmental entity (e.g., Medicaid and Medicare) or an insurance carrier and subsequently bill a secondary insurance carrier to receive payment for a particular patient account. Because of rebilling and involvement of multiple third party payers, it is extremely difficult for hospitals and facilities to identify the exact date when interest charges should be assessed. Therefore, these Guidelines recognize that the collection of interest associated with medical debt from a patient or patient guarantor may not be administratively practical and cost-effective in most cases and therefore need not be collected.

However, if an agency administering a State hospital or facility determines that interest collection is cost effective and can be administered within its management and operation of patient accounts, such an agency may collect interest charges for medical debt. The interest charges that may be collected by hospitals and facilities shall follow the rate and methodology established in Section 18 of the State Finance Law and these Guidelines (see Item K-032). The State agency shall notify the Division of the Budget that interest charges are being collected.