Mercy Health System Corporation Policy: Billing and Collections

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I. POLICY:

Mercy Health Corporation's (Mercyhealth's) policy is to provide exceptional health care services to people in the communities Mercyhealth serves, regardless of age, race, national origin, gender, religion, or disability. In order to sustain its ability to continue to serve patients in its communities, Mercyhealth will use standard billing and collection guidelines set forth in this policy. Mercyhealth may take the Extraordinary Collection Actions (ECAs) outlined in this policy to obtain payment for services provided.

This policy for billing and collection of self-pay accounts will ensure that Mercyhealth uses collection efforts that comply with all applicable state and federal laws. Self-pay accounts may include co-payments, deductibles, non-covered and other patient responsible balances, including amounts owed by individuals without insurance or other third party coverage. Any balance not covered by a third party payor becomes the personal responsibility of the guarantor. Every guarantor will be given reasonable time and communication to be informed of their financial responsibility. It is the guarantor's responsibility to understand the third party payor's coverage and the guarantor will be held financially responsible for services provided by Mercyhealth.

II. DEFINITIONS:

A. **Bad Debt Status:** When an account is in a bad debt status, it has not been deemed fully uncollectible. Outside collection agencies are used to attempt to collect accounts in bad debt status. After the lesser of either: the outside collection agency exhausting all avenues for collection or 15 months lapsing from placement with no reasonable activity, the account will be returned to Mercyhealth and deemed uncollectible.

B. **Bad Debt Write-off:** An adjustment to a patient account for amounts deemed to be uncollectible. This determination is based on established collection criteria and is made only after an account has been billed and appropriate collection follow-up efforts have been taken.

C. **Extraordinary Collection Actions (ECAs):** These are the collection actions taken by Mercyhealth against a guarantor to obtain payment for services that may include:

   a. Reporting adverse information about an individual to consumer credit reporting agencies or credit bureaus,
   b. Requiring legal or judicial process, lien or file in a bankruptcy proceeding,
   c. Other items as outlined in Section V below.

D. **Financial Assistance:** Financial Assistance means assistance offered by Mercyhealth to patients who meet certain financial and other eligibility criteria as defined in Mercyhealth Hospital Financial Assistance policy to help them obtain the financial resources necessary to pay for medically necessary or emergent health care services provided by Mercyhealth setting. Financial assistance does not include contractual allowances with third party payors.

E. **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. Children under the age of 18 cannot be listed as their own Guarantor; Mercyhealth will ask who the adult is that is financially responsible for the child. If the parents of a minor child are separated or divorced, Mercyhealth will ask for the name of the parent who has custody of the child. If the custody arrangement is 50/50 for each parent, then either parent can be the Guarantor.

F. **Patient Responsibility:** Any balance due where the financially responsible party is the Guarantor (not a Third Party Payor). Also known as "self-pay".

G. **Third Party Payor:** Any organization, public or private, that pays or insures health or medical expenses on behalf of beneficiaries or recipients, such as commercial insurance companies, Medicare, and Medicaid.

III. BILLING PROCESS AND GUIDELINES

Mercyhealth will gather information to schedule appointments and may complete pre-registration review. Based on initial information, Mercyhealth will, to the best of its ability, determine if Third Party Payors are in network. If it is determined that Mercyhealth providers are not in a Third Party Payor's network a patient may be referred to another facility or informed of their potential payment responsibility. As required under Illinois law, for Illinois hospitals, in the event that Mercyhealth determines that the patient's insurance plan does not cover services provided, coverage cannot be verified, or Mercyhealth is not a participating provider with the patient's insurance plan, Mercyhealth shall provide the patient a written notification, during admission or as soon as possible thereafter, that he or she may, as applicable: (1) be responsible for all or a portion of the charges for the services provided; (2) receive separate bills for services provided by health care professionals affiliated with Mercyhealth; (3) be treated by medical staff members who do not participate in the same insurance plans and networks as Mercyhealth and that he or she may have a greater financial responsibility for those services; (4) direct questions about coverage or benefit levels to the patient's insurance plan; or (5) have the right, under the Illinois Health Care Reimbursement Act, to have the insurer bear responsibility for any non-covered or out of network ancillary provider charges if he or she is seeking covered services that are not available from a contracted provider and he or she has made a good faith effort to use the services of a contracted provider but such services are unavailable. Questions regarding such liability must be directed by the patient to his or her insurance plan.

Many Third Party Payors require the patient's physician or the policyholder to obtain authorization prior to receiving services. If the Third Party Payor has such a requirement, the patient must confirm with his/her physician or Third Party Payor that prior authorization has

been secured. Failure to secure required prior authorization may result in partial or complete denial of benefits from the Third Party Payor for the hospitalization. The Guarantor could be responsible for payment of any denied charges due to lack of prior authorization, unless contractually prohibited.

Patients must present complete and accurate information that ensures the capture of the information necessary to effectively provide care and to bill for services rendered. Mercyhealth will bill most Third Party Payors after an assignment of benefits form is collected.

Mercyhealth will bill the Third Party Payor after discharge and after completion of the necessary medical record coding for the services provided. Claims not paid by the Third Party Payor within the payment time frames will be identified for follow-up.

Mercyhealth will make reasonable efforts to collect from a Third Party Payor prior to billing the patient for services rendered. After reasonable efforts are made to collect from the Third Party Payor Mercyhealth may seek assistance from the patient to contact the Third Party Payor to resolve the outstanding claim.

After payment is received from the Third Party Payor, any remaining unpaid or non-covered Patient Responsibility amounts will be billed to the Guarantor. A statement of hospital and physician services is sent to the Guarantor in incremental billing cycles. For hospital services, the initial bill shall contain the following information: (i) the date or dates that health care services were provided to that patient; (ii) a brief description of the hospital services; (iii) the amount owed for hospital services; (iv) hospital contact information for addressing billing inquiries; (v) clear and conspicuous written notice about the availability of Financial Assistance; (vi) a statement regarding how the patient may apply for consideration under Mercyhealth Hospital Financial Assistance policy; and (vii) notice that the patient may obtain an itemized bill upon request. The bill shall also include a telephone number to allow the Guarantor to inquire about or dispute the bill.

Accounts that are deemed self-pay will receive up to four statements and/or notices asking that the account balance be paid. Mercyhealth will continue to send monthly statements until the balance is paid in full or modified to a bad debt status.

Customer Service Representatives, Patient Financial Counselors or extended business office representatives, may attempt to contact the Guarantor (via telephone, mail, collection letter, or email) during the statement billing cycles in order to pursue collection. Collection efforts are documented on the patient's account.

After exhausting reasonable efforts over a period of up to 120 days after Mercyhealth has provided the first correct billing statement to collect a self-pay balance, Mercyhealth may refer the account to an outside collection agency.

IV. PAYMENT METHODS AND EXPECTIONS

Mercyhealth will accept a variety of payment forms including cash, check, and major bank credit

cards.

Patients may make installment payment arrangements with the Patient Financial Counselor or a Customer Service Representative per Mercyhealth policies. If the patient defaults on a payment plan, the account will be reviewed for outside collection action. Once an account is turned over to an outside agency it will remain with the agency until paid in full or the account is returned from the agency.

Extended financing programs through a bank or credit union are available for those patients who need to make payments over a longer period of time. A Patient Financial Counselor or Customer Service Representative will provide patients with more information about this option.

Patients receiving elective, cosmetic or other non-medically necessary services are required to pay 100% of the amount due before the service is rendered.

V. COLLECTION ACTIVITY AND EXTRAORDINARY COLLECTION ACTIVITIES

Mercyhealth will not assign accounts for external collection or engage in ECAs before making reasonable efforts to determine whether the patient is eligible for Financial Assistance under Mercyhealth Hospital Financial Assistance policy. Further, Mercyhealth will not refer an account to an outside collection agency without first offering the patient the opportunity to obtain a reasonable payment plan.

For any statement returned due to an incorrect or "bad" address, reasonable measures will be taken to locate the correct address. If reasonable attempts fail, the account will be referred to an outside collection agency after 60 days have passed since the date of discharge or, for outpatient services, the date in which care was provided.

The Director of Patient Financial Services is responsible for ensuring that all collection efforts undertaken by a third party on behalf of Mercyhealth will be consistent with Mercyhealth's Mission, Vision and Values and that the third parties treat everyone with respect and comply with applicable regulations. The standards and scope of collection practices will be outlined in written agreements with each individual agency. Mercyhealth will be notified of any substantiated patient/family complaint regarding the conduct of the collection agency.

Mercyhealth or its agents may take Extraordinary Collection Actions (ECAs) after 120 days have passed since the first post-discharge billing statement related to the care. ECAs that Mercyhealth or its agents may take include:

A. Reporting adverse information about the individual to consumer credit reporting agencies or credit bureaus.
B. Actions that would require a legal of judicial proceeding, including, without limitation, placing a lien on an individual's property or garnishing an individual's wages. (Mercyhealth currently limits ECAs of this type to placing a lien on an individual's property or garnishing an individual's wages. Mercyhealth may, in its

sole discretion, change this limitation at any time.)

C. Deferring or denying, or requiring a payment before providing certain medically necessary care because of an individual's nonpayment of one or more bills for previously provided care.

D. Selling an individual's debt to another party. (Mercyhealth currently does not do this. Mercyhealth may, in its sole discretion, change this limitation at any time.)

Notwithstanding the foregoing, the following shall not be considered ECAs: (i) any lien that Mercyhealth is entitled to assert under state law on the proceeds of a judgment, settlement, or compromise owed to a patient (or his or her representative) as a result of personal injuries for which Mercyhealth provided care; and (ii) the filing of a claim in any bankruptcy proceeding.

Except as noted below, Mercyhealth or its agent will notify the patient in writing a minimum of 30 days prior to engaging in an ECA. Such notification will: (i) provide written notice that indicates Financial Assistance is available for eligible patients, that identifies any ECAs that Mercyhealth may take in the event of non-payment, and states a deadline after which such ECAs may be initiated; (ii) provide the patient with a copy of the plain language summary of the Hospital Financial Assistance policy: and (iii) make reasonable efforts to orally notify the patient about Mercyhealth Hospital Financial Assistance policy.

Mercyhealth will suspend any ECA to collect payment for care when a patient submits an application for Financial Assistance until either—(i) Mercyhealth has determined whether the individual is eligible for Financial Assistance based on a complete application; or (ii) in the case of an incomplete application, the individual has failed to respond to requests for additional information and/or documentation within a reasonable period of time given to respond to such requests. If the patient is eligible for Financial Assistance, Mercyhealth will: (i) refund to the patient any amount he or she has paid for care that exceeds the patient's calculated personal responsibility; (ii) provide the patient a billing statement that indicates the amount the patient owes for the care as a Financial Assistance eligible patient and an explanation of how the amount was calculated, including a description of how the patient can get information regarding the Amount Generally Billed (as defined in Mercyhealth Hospital Financial Assistance policy); and (iii) take all reasonably /available measures to reverse any ECAs (except the sale of debt) taken against the patient to obtain payment for the care.

In lieu of an application, Mercyhealth may determine a patient's eligibility for Financial Assistance for care based on information other than that provided by the patient or based on a prior Financial Assistance determination. If a patient is determined to be eligible for less than free care, Mercyhealth will: (i) notify the patient regarding the basis for the determination and the method for applying for more generous Financial Assistance; and (ii) give the patient a reasonable period of time to apply for more generous assistance before initiating ECAs.

VI. DENYING OR REQUIRING A PAYMENT BEFORE PROVIDING CARE

Under this policy, Mercyhealth may deny non-medically necessary care (e.g., elective care) because of an individual's nonpayment of one or more bills for previously provided care.

Mercyhealth cannot defer or deny emergency care for this reason. Mercyhealth may defer or deny non-emergency medically necessary care for this reason, but advance written notice must be given for patients seeking care at state-licensed hospital(s). Such notification may occur less than 30 days before such deferral or denial, provided that Mercyhealth provides the patient with the Hospital Financial Assistance Policy, a financial assistance application form and a written notice indicating that financial assistance is available for eligible patients and stating a deadline after which Mercyhealth will no longer accept and process an application submitted by the patient for the previous care at issue. The deadline will be the later of 30 days after the date that such written notice is provided or 240 days after the date that the first post-discharge billing statement for the previously provided care was provided. If the patient submits a financial assistance application, Mercyhealth shall process the application on an expedited basis.

VII. PATIENTS WHO HAVE QUESTIONS

A Patient Accounts Customer Service Representative is available to answer questions in confidence before, during, and after hospitalization or service. Patients may call Customer Service at 866-269-7115 or (608) 741-7630 for more information or if they have questions/concerns about Mercyhealth's payment policies.

VIII. REFERENCES:

26 CFR s. 1.501(r)
CMS Provider Reimbursement Manual (PRM) 15-1, Section 310
210 ILCS 89/1 et. seq.
210 ILCS 88/1 et. seq.