



301 TYSON AVENUE \* PARIS, TN \* 642-1220  
POLICIES/PROCEDURES

REF: 8310.1.07.328

PAGE: 1 of 2

APPROVED BY:

SUBJECT: Charity, Uninsured, and Indigent Patients, Accounting Policy and Procedure		DATE APPROVED: 5/10/05 DATE REVIEWED:
BY: Administration		SUPERSEDES: 8310.1.07.328 dated 4/21/05
Purpose		To outline HCMC's philosophy and policy on the delivery of charity and indigent care services to its patients and the accounting methodology that will be utilized to identify and record through the financial statements the charity and indigent care provided by Henry County Medical Center versus bad debt incurred by HCMC.
Philosophy		<p>It is the mission of Henry County Medical Center to provide non-elective healthcare services to the citizens of Henry County or to non-citizens who present to our emergency room regardless of their ability to pay.</p> <p>HCMC recognizes that medical care has become very expensive industry wide and that it can present a very difficult or impossible financial responsibility even for individuals or families who would not be considered indigent according to federal poverty guidelines. Because it is the mission of HCMC to provide affordable healthcare to every citizen that we serve, we have developed a sliding scale discount program that is based on the household income of the patient served. Because this discount program does not require that a person be legally indigent for qualification, it will provide a benefit to many if not most of the patients we serve. It is designed to make the ultimate financial liability to HCMC manageable to all patients and their household. HCMC offers this discount program to all uninsured patients by providing needed information to the patient or a family member at the time of registration for services. This discount program is offered because HCMC recognizes that a family may have an average or even above average household income but still be medically indigent. For example, a family's household income may be \$60,000 per year, but if the family suddenly incurred a \$10,000 medical liability, they probably wouldn't be able to pay this liability in a timely manner and would therefore be considered medically indigent in relation to the full \$10,000 debt. Please see the detailed Charity, Uninsured, and Indigent Patient policy (8310.1.07.327) implemented December 1, 2004.</p>
Policy		HCMC, according to recommended accounting guidelines, will make every attempt to distinguish charity and indigent care versus bad debt expense through its financial statements on a monthly basis. In keeping with this, an allowance account will be maintained on the general ledger for both charity/indigent care and for bad debt based on an estimate of the probability of collection of private pay components by financial class category.

	<ol style="list-style-type: none"><li>1. When accounts are specifically determined through the process outlined in policy 8310.1.07.327 to be charity or indigent accounts, the appropriate amounts of account receivable will be written off directly against the Account Receivable and Gross Patient Revenues as is required under accounting guidelines.</li><li>2. Accounts will be determined to be charity or indigent accounts through two mechanisms.<ol style="list-style-type: none"><li>a. For patients who apply for a charity or indigent care discount through the discount program offered and who meet the qualifications outlined, the appropriate account receivable amount will be immediately written off as outlined above.</li><li>b. HCMC recognizes that there will be patients who are truly medically indigent who will choose not to fill out and submit the application to be processed through HCMC's discount program. These accounts will go through the normal collection process efforts. If no payment can be generated in-house, they will, according to policy, be written off to a collection agency. Collection agencies will be requested to return to us accounts that they have determined to be totally uncollectible due to the lack of adequate assets or financial income. These returned accounts, due to the determination of the collection agency that the account is uncollectible due to the patient's lack of financial resources, will be written off as charity thru a deduction to gross patient revenues, consistent with accounting guidelines.</li></ol></li><li>3. HCMC writes off accounts to collection agencies on a monthly basis. To enable HCMC to make a reasonable estimate of the charity/indigent amounts versus the amounts that are truly bad debt expense, the hospital will utilize historical average collection percentage of charges collected by the collection agencies to estimate the percentage of the collection agency write off that should be charged against the Allowance Account for Charity/Indigent Care versus the Allowance Account for Bad Debt Expense. For example, if the collection agencies average collecting eight percent of Account Dollars received, then eight percent of the Total Write Offs to the collection agency will be recorded against bad debt allowance and ninety-two percent will be recorded against the Allowance for Charity/Indigent Care.</li><li>4. When accounts are actually returned to the hospital by the collection agency because it cannot be collected due to lack of financial resources, the account will be debited against gross patient revenues and credited back to the Allowance for Charity/Indigent Care.</li><li>5. It is the intent of HCMC through this policy to meet its mission of providing quality affordable healthcare services to its patients and to account for, as accurately as possible, the amount of charity/indigent care actually provided to the community, in accordance with applicable accounting guidelines.</li></ol>
--	---