

DHHS POLICIES AND PROCEDURES

Section II:	Budget and Analysis
Title:	Cash Management Plan
Chapter:	Management of Receipts, Accounts Receivable/Billing
Current Effective Date:	8/1/02
Revision History:	8/1/02
Original Effective Date:	10/16/01

Billing and Collection - Statutory Requirement

In accordance with G.S. 147-86.20-27 moneys due to a state agency by another governmental agency or by private persons shall be promptly billed, collected, and deposited. The following are the Department of Health and Human Services (DHHS) Accounts Receivable Billing and Collection policies that insure proper accounting, timely billing and collection of funds due the department. DHHS divisions, facilities and schools will comply with the Office of the State Controller's Statewide Accounts Receivable Policy unless an exception to this policy is approved by the Office of the State Controller (OSC) through the DHHS Controller. The following accounts receivable management policies and procedures are submitted for review and approval by OSC in accordance with G.S. 147-86.21.

Minimum Information to be Collected From Clients and Debtors - OSC Policy

Unless otherwise prohibited by law, DHHS shall collect the following minimum information from all clients and debtors in accounts receivable and other debt collection tracking systems. DHHS shall use the information for the purpose of billing, dunning, locating debtors and legal action as necessary to recover debts due the department.

1. Full name and any previous name.
2. Home and office address.
3. Telephone numbers - home and place of employment.
4. Federal employer identification number (EIN).
5. Social security number (SSN) for individuals or sole proprietorships contracting with the state.
6. For other individuals, SSN and /or drivers license number may be requested but not required except as specifically provided for in law.
7. Place and type of employment, employer's address and previous employer if employed less than two (2) years in present job.
8. A credit bureau report may be required depending on the amount of the potential receivable and the guidelines of the particular agency or institution. Due to the high incidence of indigent clients and patients, DHHS does not use credit reports.

Reporting Summary Accounts Receivable to the Sate Controller - OSC Policy

DHHS will provide the OSC a complete report of the department's accounts receivable upon request.

Responsibility for Accounts Receivable Systems, Policies and Procedures - OSC Policy

Within DHHS, the Controller shall be responsible for developing systems that are adequate to properly account for and report accounts receivable. The DHHS divisions, facilities and schools shall not develop, implement or operate any billing, accounts receivable or debt tracking system without prior written approval of OSC through the DHHS Controller. The DHHS Controller shall be responsible for developing and implementing policies and procedures that adhere to the collection policies and guidelines established by the State Controller and the Attorney General.

Agency Defined Receivable Systems - OSC Policy

DHHS operates a number of agency defined accounts receivable and billing systems.

The major DHHS defined accounts receivable and billing systems are:

1. HEARTS (Hospital Enterprise Accounts Receivable Tracking System) – HEARTS produces Medicaid, Medicare, third party insurance and patient bills. HEARTS maintains patient account details for the DMH/DD/SAS institutions. The system is scheduled for replacement by the HEARTS System on August 1, 1999.
2. Medicaid Cost Settlement Receivables – NCAS Company B1.
3. Medicaid Program Integrity Accounts Receivable - NCAS Company B2.
4. Medicaid Third Party Liability Accounts Receivable – NCAS Company B3.
5. Medicaid Miscellaneous Accounts Receivable – NCAS Company B4.
6. Medicaid Drug Rebate Accounts Receivable System – Contracted with EDS.
7. FSIS – Food Stamp Information System – Food Stamp Program Integrity Receivables.
8. HSIS System - HSIS produces Medicaid, Medicare, third party insurance and patient billings. HSIS maintains insurance and patient accounts receivable for the Developmental Evaluation Centers and Local Health Departments.
9. The Student Account Receivable System produces billings for student fees charged by the North Carolina (NC) Schools for the Deaf and Hard of Hearing and maintains detail accounts receivable balances for each student.
10. EPICS (Enterprise Program Integrity Control System) - Recipient program integrity accounts receivable system for TANF, Medicaid and Food Stamps.

Time of Billing for Accounts Receivable - DHHS Policy

The department bills all state agencies, local units and private entities for moneys due the state no later than the 10th of the month following the month in which services were provided. If the accounts receivable are known to be incorrect, accounts are to be corrected, and billing is to be no later than the 30th day of the month following the month in which services were provided. Patient accounts shall be billed by the 10th day after the end of the month or 10 days after discharge. In the case of DMH/DD/SAS, Psychiatric Hospitals and Mental Retardation Centers that use the HEARTS system, patient accounts will be billed no less than every 30 days. Medical Surgical Unit patients will be billed upon discharge and completion of patient abstract. ADATCs on HEARTS will bill insurance upon discharge and completion of the patient abstract (average patient stay of 28 days). All client ability to pay (ATP) charges are billed on the 15th of the month for discharged clients and month end for in-house clients. Whitaker School and Wright School charges are billed to the responsible party on a monthly basis. All denied insurance claims will be immediately resolved and rebilled or corrected and resubmitted to effect payment from the responsible party as soon as possible. See the Central Billing Office (CBO) Procedures Manual for Denied Claims Follow-up Procedures.

Time of Billing Policy for Medicaid, Medicare and Third Party Insurance Billing - DHHS Exception 3

An exception to the standard 30, 60 and 90 day dunning procedures is for Medicare, Medicaid and other third party insurance billings. The DHHS Controller's Office does not send dunning notices as these will be treated as duplicative claims and denied. The DHHS Accounts Receivable Section, Central Billing Office follows customary health insurance industry billing practices to resolve denied or outstanding insurance claims. Upon receipt of a denied claim, the Central Billing Office corrects and resubmits such claims to effect payment from the responsible party. Specific procedures are provided in the Central Billing Office Procedures Manual and the publications of the various insurance companies and benefit programs. The Third Party Liability Section of DMA conducts investigation, discovery, billing and collection activities to recover reimbursement from third parties when it is determined that the NC Medicaid Program was not responsible for payment.

Specific Collection Techniques - DHHS Policy

- 1. Use Of Collection Agencies and Credit Bureaus - DHHS Policy**
DHHS billing and receivables information is subject to laws governing confidentiality of client information. Based on an advisory memorandum from the Office of the Attorney General, DHHS policy is that past due accounts of current or former clients of the facilities covered by G.S. 122 or public assistance clients addressed by G. S. 108-A will not be referred to outside collection agencies or credit reporting bureaus. In addition, debts due for activity fees charged by the Office of Education for the NC Schools for the Deaf and the Governor Morehead School are not submitted to outside

collection agencies or credit bureaus. In accordance with G.S. 122C-53 and 10 NCAC 18D the DMH/DD/SAS facilities will not release confidential client information as defined in 10 NCAC 18D without consent unless the specific disclosure is otherwise permitted by law and approved by the facility director. It is DHHS policy that release of any confidential client information to any outside collection agencies or credit bureaus is not permitted.

2. **Collection Of Audit Disallowance For Local Governments - DHHS Policy**
Charges to DHHS programs that have been determined to be unallowable by the DHHS Secretary are collected in accordance with NC Administrative Code T10: 01B .0418 “Single Audit of Local Governments and Public Authorities” and DHHS Directive No. 42 “Resolution of Single Audits for Local Government Agencies and Resolution of Audits for Institutions of Higher Education, Hospitals, and Non-governmental Organizations Receiving State and/or Federal Financial Assistance from the Department of Health and Human Services”. The DHHS Secretary’s determination letter to the local government shall require full monetary repayment of all cost determined to be unallowable to the DHHS Controller’s Office within 60 days of the date of the determination letter. The due date for repayment is suspended only for items appealed timely in accordance with G.S. 150B-23. Audit findings are processed internally in accordance with DHHS Controller’s Office Procedure PB 901. If a deferred repayment plan is approved under NCAC T10: 01B .0418 the penalty and interest required by G.S. 147-86.23 will be assessed and added to total amount due. Deferred repayment plans for the federal share of disallowances are not allowed unless the federal government approves a repayment plan.

3. **Collection Of Audit Disallowances From Other Grantees - DHHS Policy**
Charges to DHHS programs that have been determined to be unallowable by the DHHS Secretary are collected in accordance with NC Administrative Code T10: 01B .0419 “Audits of Hospitals, Nonprofits, and Higher Education Agencies” and DHHS Directive No. 42 “Resolution of Single Audits for Local Government Agencies and Resolution of Audits for Institutions of Higher Education, Hospitals, and Non-governmental Organizations Receiving State and/or Federal Financial Assistance from the Department of Health and Human Services”. The DHHS Secretary’s determination letter to the recipient organization shall require full monetary repayment of all cost determined to be unallowable to the DHHS Controller’s Office within 60 days of the date of the determination letter. The due date for repayment is suspended only for items appealed timely in accordance with G.S. 150B-23. Audit findings are processed internally in accordance with DHHS Controller’s Office Procedure PB 901. If a deferred repayment plan is approved under NCAC T10: 01B .0418 the penalty and interest required by G.S. 147-86.23 will be assessed and added to total amount due. Deferred repayment plans for the federal share of disallowances are not allowed unless the federal government approves a repayment plan.

4. **Payment Terms And Dunning Accounts - DHHS Policy**
DHHS policy is that all payment terms shall be 30 days after the invoice date unless

an exception is approved by the DHHS Controller for the specific type of service to be billed under this plan. Invoices should be dated as close to the anticipated mailing date as possible. The invoice or original bill will notify the debtor of the 10% statutory penalty and interest charges required by G.S. 147.83 that will be added to balances not paid by the due date of the invoice. Interest is to be charged on past due accounts receivable at the rate established by G.S. 105-241.1(i) from the date the account receivable was due through the date it was paid. Past due invoice follow-up billing for all unpaid amounts shall be sent if a vendor, agency or individual has not paid by the due date. This is the first dunning notice for accounts that are 1-30 days past due that is referred to in Section 330 of the Office of the State Controller's Statewide Accounts Receivable Policy and Procedure Manual. The 1-30 dunning notice is sent when the account first becomes past due (i.e. invoice date plus 30 days). This notice will assess the ten percent statutory late penalty unless an exception to charging penalty for the type of receivable is approved by the DHHS Controller under this plan. In addition, the 1-30 days past due letter or statement will notify the entity or individual that unless the account is paid immediately interest will be charged for each day the account is past due, and that the past due amount will be turned over to the Attorney General's Office or their designee for collection. If an amount is still outstanding at the end of 61 days, a second dunning notice will be sent via certified mail/return receipt. The second dunning notice will charge the current statutory interest rate on the unpaid past due balance unless an exception for charging interest on the type of receivable has been approved by the DHHS Controller under this plan. If no payment or response is received in 30 days the account is turned over to the Attorney General's Office or their designee on the first working day after the account is 91 days past due or aged 121 days from the invoice date. See Attachment 11, for sample form letters for use as the 1-30, 31, 61 and 91 day dunning notices for past due accounts. **Exceptions:**

- An exception to the 91 day rule for referral of accounts receivable to the Attorney General's Office for collection shall be made for returned child support checks. Since DHHS has already disbursed money to recipients in these cases and timely collection of returned checks is crucial, these accounts shall be referred to the Attorney General's contracted collection agency 11 days from the date of the first collection notice.
- In accordance with the latest amendment to G.S. 25-3-506, it is no longer a requirement that there be a preliminary notice and/or posting of the returned check fee. However, provisions in G.S. 25-3-506 now require that all collection notices or dunning letters for returned checks plainly break out the returned check fee, penalty and interest, i.e.

Amount of check	=	\$100.00
Returned check fee	=	\$ 25.00
Penalty	=	\$ 25.00
Penalty	=	\$ 10.00
Interest	=	<u>\$ 8.00</u>
Total	=	\$143.00

- Since the prior notice to payors (and/or posting) is permissive, DHHS may post notices explaining these fees or add language to account statements that are routinely mailed to payors.
- The processing fee, as well as the penalty and interest amounts, must be deposited into funds that provide the majority of the support for the following: the position responsible for collecting the fee and/or other expenses incurred in collecting the fee.

5. Referral of Accounts to the Attorney General - OSC Policy

In accordance with the OSC, “Statewide Accounts Receivable Program Policy and Procedures Manual”, unpaid billings due to a state agency shall be turned over to the Attorney General or their designee for collection no more than 90 days after the due date of the billing unless the amount is less than \$500, or (for institutions where applicable) for amounts owed by all patients which are less than the federally established deductible applicable to Part A of the Medicare program. The agency may handle these unpaid bills pursuant to agency debt collection procedures. G.S. 147-86.22 states that agencies and institutions may use, but are not limited to, collection agencies for collecting accounts receivable. Unless it can be shown not to be cost effective, agencies and institutions shall contract with collection agencies to collect past-due accounts. The state has contracted through the Office of the Attorney General, with three (3) outside collection agencies to collect all statewide accounts receivable. The collection agencies should acknowledge all referred accounts within 30 days to the agencies that maintain the account. It should be noted that the debtor should be responsible for the cost of collecting the debt unless prohibited by law.

Exception DHHS 5: Use of Collection Agencies

Due to client confidentiality requirements specified in G.S. 122 C-52, DMH/MR/SAS facilities and DHHS schools, will submit past due accounts over 90 days past due directly to the Attorney General’s Office and not to collection agencies or the State’s Bad Debt Clearinghouse contractor. This policy is based on an advisory memorandum from the Attorney General’s Office.

6. Publications and Information Request Billings

All publications and other requests for information that DHHS divisions require payment for must be prepaid before being released. This policy eliminates the majority of low dollar amount accounts outstanding that are not cost effective to bill.

7. **Lien Filing On Past Due Accounts For DMH/DD/SAS Facilities Exception-DMH/DD/SAS-3**

For DMH/DD/SAS institutions, liens against outstanding unpaid balances are to be filed and maintained in accordance with G.S. 143-126, G.S. 143-126.1 and DMH/DD/SAS APSM Section 7; Part I, Procedure 50 “Lien Filing.

8. **Collection of Public Assistance Overpayments By County Departments Of Social Services**

Medicaid – Collection of Recipient Overpayments Exception DMA 2

County departments of social services are authorized to bill and dun Medicaid clients for program overpayments. When the county DSS notifies the DMA program integrity that an overpayment has been determined and that a specific repayment action has been initiated, an account receivable is set up. These accounts are reviewed on a quarterly basis with correspondence sent to the county DSS requesting that they verify records of the account receivable, and that the county pursue enforcement of the collection. Since all legal and recoupment actions in recipient cases are handled at the county level, the county DSS is responsible for determining the best method of enforcing collections on each specific case.

- **Work First, ADFC, Foster Care and Special Assistance Programs - Collection of Overpayments**

County departments of social services are authorized to bill and dun clients for program overpayments. Since all legal and recoupment actions in recipient cases are handled at the county level, the county DSS is responsible for determining the best method of enforcing collections on each specific case.

- **Food Stamp Program – Collection of Overpayments**

County DSS are authorized to bill and dun clients for program overpayments. Since all legal and recoupment actions in recipient cases are handled at the county level, the county DSS is responsible for determining the best method of enforcing collections on each specific case. The accounts receivable are maintained in the FSIS system and reported on the FNS 209 Quarterly Status of Claims.

Inter-Agency Billing - Supporting Documentation

Documentation supporting invoices sent to other DHHS divisions and state agencies will be maintained with the DHHS Controller’s Office, Accounts Receivable Section accounting records for review upon request. Documentation will be provided to other state agencies upon request.

Recovery of Cost of Care and Treatment at DHHS Facilities - DHHS Policy Exception-DMH/DD/SAS-4

For the DMH/DD/SAS, G.S. 143-117 through G.S. 143-127 authorizes the collection of outstanding debts from certain individuals. All persons admitted to the following institutions operated by DHHS are required to pay the actual cost of their care, treatment, training and maintenance at these institutions: Regional psychiatric hospitals, regional mental retardation centers, special care centers, and alcohol and drug abuse treatment centers. As authorized by G.S. 143-118, the Secretary of DHHS may contract to compromise accounts owing to the institution for past, present or future care at the institutions, including but not limited to a contract to charge nothing. The rates set by the compromise shall be determined in the discretion of the DHHS Secretary by the ability to pay of the person admitted or the person legally responsible for his support.

Ability to pay Determination and Compromise of Accounts at DHHS Facilities

DMH/DD/SAS institutions shall determine the resources available to each patient for payment of services rendered upon admission, and determine their ability to pay the patient liability after receipt of Medicare, Medicaid and other insurance benefits. For non-Medicaid accounts the unpaid difference between the patient liability and the ability to pay (ATP) amount is the “contractually compromised” amount under G.S. 143-118 or indigency allowance that is written-off the account. The institutions’ and DHHS Controller’s Office responsibilities in this process are as follows:

1. The Patient Relations Representative (PRR) shall obtain an authorization for release of medical information and payment to the institution on the “Agreement of Insurance Benefits/Release of Confidential Information Form” (Form # DMH MRP 5-20-94(c)). This authorization must be signed by the patient or legally responsible representative for the patient.
2. The PRR Office shall obtain financial information necessary to make a complete and fair evaluation of the patient’s ability to pay for cost of care and treatment as soon as possible after admission and enter the data in the HEARTS System to determine the ATP Rate to be charged.
3. The PRR will visit all new admissions on the wards in the institutions or interview their guardian or guarantor to obtain the financial information within 72 hours of admission. If this information is not obtained during the first visit with the patient or first contact with the guarantor, follow-up visits or contacts will be made until all the information is obtained. If a patient or guarantor continues to refuse to provide the financial information or to sign the appropriate releases, then **that patient will be billed full charge for care and services rendered** in accordance with G.S. 143-118 (e).

4. The PRRs shall review active patient financial records periodically and new patients at the time of admission to determine if a disability claim for Social Security should be filed on the patient's behalf. The PRR Office also applies for benefits for disabled veterans. Patients 65 years of age and over may be eligible for Supplemental Security Income (SSI) benefits if charges are paid in full by Medicaid and they have no income. The PRR Office will inquire for possible eligibility through the Social Security Administration and apply for benefits when the inquiry indicates that the client is eligible for benefits.
5. It is the responsibility of the PRR Office to obtain admission certification (prior approval) for all eligible Medicaid patients from the admission certification contractor (i.e. currently First Mental Health, Inc.).
6. It is the responsibility of the PRR Office to obtain approval for all eligible Medicaid patients. Eligibility for Medicaid is determined by the patient's county of responsibility, DSS. The process of determining eligibility is that the PRR prepares a referral form (DSS form DSS-PA-41 and DSS-PA-21) in duplicate and sends it to the county DSS as soon as possible after admission. The original is retained by the county, and the copy is returned to the institution with the decision. Approximately 30 days after the referral is mailed, the PRR contacts the DSS either by telephone or in writing to follow-up on referrals for which no response has been received.
7. The PRR Office is responsible for the verification of insurance coverage and identification of private pay accounts. The PRR enters the insurance and financial information into the HEARTS system. The HEARTS system coordinates benefits and produces Medicare, Medicaid, and commercial insurance claims and patient statements based on the patient's Ability to Pay (ATP) or the Patient Monthly Liability (PML). The Central Billing Office (CBO) processes the bills, follows up on insurance denials, collects the payments, deposits collections and posts payments to patients' accounts.

Allowance for Uncollectible Accounts for DHHS Facilities

An allowance for uncollectible patients' accounts as determined each year by the DHHS Controller's Office staff person responsible for the institution's year end accruals is based on the historic percentage of write off of the total patients' accounts receivable balance at June 30 of the fiscal year. This figure is used in the preparation of the annual financial statement.

Deferred Payment Plans DHHS Policy

The department does not promote deferred payment plans for amounts owed the state, however, to provide every opportunity for repayment of debts due the state deferred repayment plans may be authorized for the following debts:

1. **Local Governments - Public Assistance Debt**
 General Statute 108A-89 “State Public Assistance Contingency Loan Program” provides for a repayment schedule for counties that are not able to fund the county share of public assistance program cost **not to exceed a two (2) year period** subsequent to the year in which the funds were borrowed.

2. **Local Governments – Audit Disallowances**
 Per NC Administrative Code T10: 01B .0418(1) “Single Audit of Local Governments and Public Authorities” a local government or public authority may propose a repayment plan of amounts determined to be unallowable on an installment basis not to exceed two (2) years. The local government must certify that it is not able to make repayment by the due date specified in the DHHS Secretary’s determination letter and that commercial financing can not be obtained. Repayment of the federal share of amounts determined to be unallowable will not be allowed on an installment basis unless the federal grantor agency approves of the installment plan or otherwise allows the department the same installment repayment terms. Interest and penalty will be added to the amount to be financed in accordance with G.S. 147-86.23.

3. **Hospitals, Nonprofits and Higher Education Agencies**
 Per NC Administrative Code T10: 01B .0419(p) a hospital, nonprofit or higher education agency may propose a repayment plan of amounts determined to be unallowable on an installment basis not to exceed two (2) years. The hospital, nonprofit or higher education agency must certify that it is not able to make repayment by the due date specified in the DHHS secretary’s determination letter and that commercial financing can not be obtained. Repayment of the federal share of amounts determined to be unallowable will not be allowed on an installment basis unless the federal grantor agency approves of the installment plan or otherwise allows the department the same installment repayment terms. Interest and penalty will be added to the amount to be financed in accordance with G.S. 147-86.23.

4. **Employees – Salary Overpayments**
 DHHS policies and procedures are provided in the “Administrative Manual for Collection of Salary Overpayments”. This manual is to be referred to for specific roles and procedures to be followed by the DHHS Controller’s Office and the DHHS Human Resources Office in collection of employee salary overpayments. The following is a brief summary of the DHHS policy. Current state employees are required to repay money owed to the state per G.S. 143-553. A series of three (3) collection letters are sent at 15 day intervals. If the employee fails to respond to the first or second letter a third certified letter is sent informing the employee that failure to respond may result in his/her dismissal. If the employee fails to respond to the third letter the division/facility/school chief of personnel services is to be contacted concerning disciplinary action for failure to pay money owed the state. If a former DHHS employee is currently employed by another state agency the same process is followed except the letter requesting disciplinary action is sent to the personnel manager of the state agency where the individual is currently employed. Current state

employees that fail to repay these funds may be dismissed. Collections from former state employees follow our general collection process. Salary overpayments that are over 90 days past due are referred to debt set-off if the amount is \$50 or more, the Attorney General for amounts of \$500 or more and to collection agencies and/or reporting bureaus for amounts of \$25 or more. Amounts due from separating employees may be deducted from the employee's final pay check using termination debt payroll code 051 without employee authorization. Collection from current employees by payroll deduction requires written authorization from the employee. Current DHHS employees may request a deferred repayment plan to repay their salary overpayment. A minimum payment of 10% of the employee's current net disposable wages is required per G.S. 143-553.

5. Deferred Repayment Plans for Cost of Care And Treatment For Patients Of The Regional Psychiatric Hospitals, Special Care Centers, Mental Retardation Centers, Schools For Emotionally Disturbed Children, And Alcohol And Drug Treatment Centers Listed In G.S. 143-117 DMH/DD/SAS - Exception 5

The authority of the secretary under G.S. 143-119 (c) to negotiate a deferred repayment plan for care and treatment is delegated to the institution directors. Deferred plans may be used when a patient is not able to pay the total cost due on a monthly basis. A deferred payment may be made on a monthly basis or a delayed lump sum basis. The division/facility/school director may delegate the authority to negotiate deferred payment plans to the PRR and authority to approve deferred plans to the PRR supervisor. If the PRR supervisor is involved in the negotiation of the deferred payment, it must be approved by the business manager or institution director. A sample copy of the Deferred Payment Agreement is found in Attachment # 8.

6. Medicaid Providers Deferred Repayment Plans Authorized - Exception-DMA-4

The Director of the DMA or his or her designee is given the authority to negotiate and approve extended repayment agreements with program service providers. These plans shall include a provision for interest and a late penalty, where appropriate, to be charged on the outstanding balance in accordance with G.S. 147-86.23 and G.S. 105-241.1(i). Repayment schedules are not to exceed a two (2) year period without the concurrence of the DHHS Controller. The federal share of such agreements must be financed from 100% state funds since HCFA requires that the federal share of such overpayments be credited (advanced) to HCFA on the next quarterly HCFA 64 Report following the 60 day from the date that the overpayment is discovered by the state.

Garnishments, Liens and Judgments - DHHS Policy

DHHS obtains liens through judgments against debtors' assets by submission of accounts over 90 days past due to the Attorney General for litigation. The objective of the litigation is to obtain a judgment against the debtor's assets. For debts due to G.S. 122 facilities, a general lien against the client's real and personal assets is created by GS 143-126.1. When it is determined that a patient has a past due balance, the DHHS Controller's Office Accounts Receivable Section will file a verified statement of account with the clerk of superior court in

the patient's county of residence and any counties where the patient owns real property to secure a lien against the patient's real and personal property that has not been exempted under the ability to pay or other compromise agreement.

Write-off of Uncollectible Accounts - DHHS Policy

Uncollectible accounts will be written off financial accounting records and no longer recognized as collectible receivables for financial reporting purposes, but the legal obligation to pay the debts will remain. Accounts written off remain debts due the department until either a) the department determines that the responsible party has no ability to pay or b) the debt is discharged by the Office of the Attorney General (OAG) or c) in cases where the department has not been able to determine an ability to pay the amount is discharged through a compromise contract under the provisions of GS 143-118. Compromise contracts may be entered into for past, present or future care at the institutions and these contracts may include but are not limited to a contract to charge nothing. If an obligor defaults in the repayment of a compromise account or any installment, then the full actual cost of care shall be assessed against the person admitted.

The DHHS procedures, criteria, and approvals to write-off uncollectible accounts are in accordance with OSC Policy where specific authority is not provided by state law. Accounts will be written off the financial accounting records when all collection procedures, including those required by the OAG, have been conducted without results and management deems the accounts uncollectible. Accounts due from individuals or vendors must be submitted to the Department of Revenue for setoff debt proceedings at least once before write off. After write off, these accounts shall continue to be submitted to the Department of Revenue for debt setoff proceedings. Prior approval of the DHHS Controller is required before write-off of any amount over \$25. The DHHS Controller will obtain the written approval of the deputy secretary before the write-off of any amount over \$500.

Write-off Procedures

Account balances of more than \$25 that have been determined to be uncollectible in accordance with the DHHS Policy stated in Section II.C.14 will be submitted to DHHS Controller for approval. The responsible staff of the Accounts Receivable Section will provide the DHHS Controller with the reasons for writing off an account as stated in Section II.C.14 above. The Accounts Receivables Section shall maintain documentation in the file or on-line account notes to support all write-offs. In Accordance With OSC Statewide A/R Program Policy, all write-off documentation will be retained on file indefinitely for any uncollectible receivable of more than \$25.

1. Write-off of Interagency Receivables

Interagency receivables will not be written off without the approval of the Office of the State Controller. If a division is unable to collect receivables from another state agency, the DHHS Controller's Office Account Receivable Section will contact OSC

for assistance. The State Controller has the authority to process the interagency transactions that he/she considers necessary under the circumstances.

2. **Accounting for Receivables Written Off**

Procedures to account for uncollectible receivables that have been written off are outlined below:

- **For any uncollectible receivable of more than \$25 that has been written off**, a summary record of the accounts sufficient to substantiate the debt is to be retained indefinitely or until the debt has been collected or discharged. For the uncollectible receivable of \$25 or less that has been written off, such records must be retained for two (2) years. If an automated system does not support this requirement, the receivable record may not be removed from the system until another record is created. Amounts written off must be maintained on the system in a separate company or other identifying division that allows for reporting on amounts that have been written off vs. collectible accounts receivable that will be included on the financial statements. Uncollectible accounts of \$25 or less may be removed from the system two (2) years from the date of write-off and no further records will be retained.
- A record of accounts written off must be maintained and reported to the OSC on a periodic basis. OSC requires a report on write-off activity annually with the CAFR. The report is to include bad debt write-offs, contractual write-offs and indigency write-offs.
- **Write-off of Indigency Allowances And Contractual Adjustments**
If an account is determined to be an indigent care account or a contractual adjustment, the account is no longer classified as a receivable or debt due to the department, and, therefore, the procedures to account for uncollectible receivables do not apply. The DHHS Controller's Office Accounts Receivable Section is responsible for write-off of indigency allowances in accordance with the *DHHS Facility Procedure for Determining Ability to Pay*, Attachment 10 and contractual adjustments according to provider reimbursement agreements with Medicaid, Medicare, CHAMPUS and private insurance agreements.

3. **Redetermination of Ability to Pay Policy**

An account balance may be adjusted when it is determined that a patient's original ability to pay and /or any portion thereof did not exist.

(See the *DHHS Facility Procedure for Determining Ability to Pay*, Attachment 10)

4. **Write-offs - DHHS Management Approvals Required**

The OAG shall advise the department on legal questions regarding collectibility or uncollectibility of an account. Based on the advice of the Attorney General, the Deputy Secretary will determine if the account should be written off and provide the DHHS Controller with written approval for the write-off of all accounts of \$500 or more. The DHHS Controller has the authority to write-off accounts of less than \$500 in accordance with this plan and OSC's Statewide Accounts Receivable Policy.

5. **Write-offs - Balances of \$25 or Less**

For past due accounts receivable of \$25 or less, the DHHS Controller's Office, Accounts Receivable Section is given the authority to utilize the regular US mail rather than certified mail in notifying the debtors of the past due amounts. The Chief of the DHHS Accounts Receivable Section is given the authority to write off the debt after 90 days of documented collection efforts for amounts of \$25 or less. It is not cost effective to collect amounts less than \$1. Accordingly, amounts for less than \$1 need not be billed and may be written off without any collection effort.

6. The Secretary of DHHS has delegated to the Department of Justice (DOJ), Human Services/Medical Facilities Section, the authority for limited compromise of patient accounts. This authority, provided to the DHHS Secretary in G.S. 143-118 (e), shall be exercised by the Head of the Mental Health Subsection of the DOJ and specifically limited to compromising debts owed to the Division of Mental Health, Developmental Disabilities and Substance Abuse for care and treatment of individuals that have been referred to the DOJ Debt Referral Office.

EFT to be Used in Collection of Local Share of Public Assistance Benefits From Counties

DHHS agencies shall use Electronic Funds Transfer (EFT) for collection of the county/area program share of payment/benefits under the State Treasurer's Office STEPS-OUT and STEPS-IN Program. This program is to transmit funds electronically to and from local programs. The OSC Cash Management Directive for the Electronic Transfer of Funds between the state and local units of government (Section III) will be followed for all divisions. The Program Benefits Payment Section of the DHHS Controller's Office will notify counties five (5) business days prior to the effective date of payment to be made electronically. When a county's payment has not been honored, the chief of the section responsible for receipt of the county funds shall notify the DHHS Controller in order to effect the collection of the overdue amount through tax interception by the NC Department of Revenue (G.S. 105). These tax intercept letters are issued by the Office of State Budget, Planning and Management (OSBPM). Where applicable, any payment that is not received by DHHS on a timely basis shall be subject to the interest and penalty provisions stated in G.S. 147-86.23. The remedies for collection shall be pursuant to the Statewide Accounts Receivable Law (G.S. 147-86) or other prevailing general statute.

Credit Cards Accepted by DHHS

DHHS will accept credit cards in accordance with G.S. 147-86.22 and the State Cash Management Plan to the maximum extent possible and consistent with sound business practices. DHHS has submitted a business plan for electronic payments (which includes the acceptance of credit cards) to the NC OSC for evaluation and approval. DHHS will utilize the Master Settlement Agreement (MSA) for electronic payment processing and will establish

policies and procedures necessary to facilitate the use of credit cards. Only MasterCard and Visa credit cards will be accepted. These DHHS policies and procedures will incorporate the statewide electronic payment policies and procedures found at [NC OSC Electronic Commerce Policies](#). DHHS will charge payors a convenience fee for the use of credit or debit cards. This fee will be \$1 for amounts up to \$50. Any amounts in excess of \$50 will be subject to a flat 2% convenience fee up to the maximum of \$20. Any use of credit cards, whether a fee is charged to the payor or not, must be approved by the DHHS Controller's Office.

Interest and Penalty Fees - G.S. 147-86.23 Statutory Requirements

Interest shall be charged at the rate established pursuant to G.S. 105-241.1(i.) on a past due account receivable from the date it becomes past due until it is paid. This includes the debt for returned checks, calculated from the date the check was returned from the bank. The DHHS Controller's Office Accounts Receivable Section will contact the department of Revenue periodically, to obtain the rate that is currently being charged. The Department of Revenue sets this rate semi-annually. In any situation where we charge interest on an account receivable and the payment schedule crosses periods, the interest rate remains consistent with the rate set at the time the payment schedule was put into effect. In those cases where DHHS has the ability to recoup the account receivable within subsequent months of the due date, interest shall be charged for the 30 day period through the date of the recoupment. The DHHS Controller's Office Accounts Receivable Section will ensure that accounts are not in an appeal status before charging interest and recoupment of funds by offset. (See Late Payment Penalty Fees - Item 18.a below).

1. DHHS intends to charge interest to county governmental agencies (i.e., Area Mental Health Programs/Centers, Councils of Government, County Departments of Social Services, Local Health Departments etc.). When an account receivable is in an appeal status, interest is not charged. If the appeal is denied, interest is charged from the original due date of the account. Penalty and interest will be assessed on all past due items that are not specifically contested in an appeal proceeding.

Exception DHHS 4 - Exceptions to Charging Penalty and Interest

- All DHHS divisions shall charge **penalty** and **interest** on past due accounts receivable in accordance with G.S. 147-86.23 with the exception of the following:
 - Recipients of benefits or services
 - Patients/residents of DHHS division, facilities or schools
 - Students of DHHS facilities
 - Medicaid claims (federal government)
 - Medicare claims (federal government)
 - Other third party insurers
 - Employees

- **Late Payment Penalty Fees:** A fee of no more than 10% of the accounts receivable SHALL be charged on all past due accounts except as provided in Section I.C18.a(1) above. It is the policy of DHHS to charge 10% late penalty fee on all past due accounts including the debt for returned checks. The penalty is in addition to the interest charge as required above.

Debt Setoff Collection Against Individual Income Tax Refunds Policy

By December 20th of each year, DHHS agencies will submit to the Department of Revenue Setoff Debt Collection accounts receivable due from individuals that are 90 days past due provided that the debt is at least \$50. The following exceptions are permitted by G.S.105 A-3 (b):

1. Debts that DHHS is advised by the Attorney General not to submit because the validity of the debt is legitimately in dispute;
2. An alternative means of collection is pending and believed to be adequate;
3. A collection attempt would result in loss of federal funds.

In accordance with OSC policy, past due debts are to include all accounts that have been written-off as uncollectible for financial reporting purposes as well as those that are still in the collection process. The setoff collection efforts shall be in accordance with G.S. 105A Setoff Debt Collection Act and the submission procedures specified by OSC and the Department of Revenue.

In-House Setoff for Medicaid Provider Receivables

Amounts due to the department from providers may be recovered by withholding payment of current claims payable due to the provider or by set-off against other amounts payable to the provider until the full amount due is paid. In addition, payment to providers may be suspended pending resolution of cost report settlements and/or program integrity reviews.

Reporting to the NC State Controller

In accordance with G.S. 147-86.26, the DHHS Controller's Office shall provide the NC State Controller with a complete report of the agency's aged accounts receivables upon request in the format requested by OSC.

For questions or clarification on any of the information contained in this policy, please contact [The Office of the Controller](#). For general questions about department-wide policies and procedures, contact the [DHHS Policy Coordinator](#).