

3. Uncollectible patient balances are written off and placement of bad debt accounts to a collection agency or other assignee is made at least monthly. In doing so, the following policies are followed:

- In determining the amount of debt a hospital may seek to recover from patients who are eligible under the hospital's financial hardship policy, the hospital may consider only income and monetary assets as limited by the terms of Select Medical's financial hardship policy
- No report shall be made to a consumer credit agency for non-payment by a collection agency or other assignee until ninety (90) days after the bad debt account was placed with the collection agency or other assignee
- A patient attempting to qualify for eligibility under Select Medical's financial hardship, attempting to negotiate a reasonable payment plan, or making regular partial payments of a reasonable amount shall not be placed with a collection agency or other assignee
- Collection agencies or other assignees shall comply with and is subject to applicable federal state and local law, including 501(r) requirements. Neither Select Medical, a collection agency, nor other assignee shall, in dealing with patients eligible under Select Medical's financial hardship policy, use wage garnishments or liens of primary residences as a means of collecting unpaid hospital bills

4. Extended Payment Plans:

- Per Select Medical's financial hardship policy, extended payment plans arranged for all eligible patients must be interest free
- The extended payment plan may be declared no longer operative after the patient's failure to make all consecutive payments due during a 90-day period
- Before declaring the extended payment plan no longer operative, Select Medical, a collection agency, or assignee shall make a reasonable attempt to contact the patient by telephone and, to give notice in writing, that the extended payment plan may become inoperative, and of the opportunity to renegotiate the extended payment plan. The notice and telephone call to the patient may be made to the last known telephone number and address of the patient
- Prior to the patient's extended payment plan being declared inoperative, Select Medical, collection agency, or assignee must an attempt to renegotiate the terms of the defaulted extended payment plan, if requested by the patient
- Select Medical, a collection agency, or assignee shall not report adverse information to a consumer credit reporting agency or commence a civil action against the patient or responsible party for nonpayment prior to the time the extended payment plan is declared to be no longer operative

5. Bad Debt vs. Contractual vs. Administrative Adjustment:
- Bad Debt – Full expected amount of payment not received
 - Contractual – Difference between Gross Charges and Expected Payment calculated upon admission
 - Administrative Adjustment – A Non-Allowable charge or an error on Select Medical's part (usually agreed upon by CEO and Controller to be an AA)

PROCEDURES

1. CBO Employee determines the account to be uncollectible, based on established criteria
2. The CBO employee prepares a bad debt write-off form and attaches proper support or marks the account with a "*" note type for Bad Debt Recommendation
3. All Balances >\$10,000 are approved by Director of Finance, VP of Billing Operations, VP of Finance or Sr. VP Finance, depending on the balance
4. All Timely Filing Bad Debts must have the approval of the Director of CBO regardless of the balance
5. Once all approvals are received, the account is written off to Bad Debt and placed with the collection agency, unless patient is proven eligible for the financial hardship program (at which point CBO employee should make sure to follow the financial hardship guidelines set forth above before sending the account to a collection agency, No-Estate has been verified by outside collection agency or Non-par with Medicaid (assuming Medicaid is the payer)