I. **PURPOSE**: Accounts receivable greater than 365 days from the date of discharge and/or date of service are deemed to have a minimal likelihood of collection. As such, it is appropriate to write off these accounts and transfer them to a collection agency for possible resolution and recovery. Since they are deemed to be uncollectable, they are no longer reflected as an asset of Hawaii Health Systems Corporation (HHSC) even though they may be fully reserved.

The policy indicated the disposition of accounts governed by this policy and the resulting accounting treatment.

II. **POLICY**: It is Hawaii Health System Corporation’s (HHSC) policy to write off patient accounts greater than 365 days old. Such accounts shall be written off books of all HHSC facilities. Although said accounts are written off, they shall not be considered forgiven for purposes of collection until all collection efforts have been exhausted by third party collection agencies. The written off accounts shall not be reflected in the gross patient accounts receivable, nor shall the contra allowance, in HHSC’s Statement of Assets, Liabilities, and Fund Balance.

III. **PROCEDURE**:

A. Upon a patient account receivable becoming greater than 365 days in aging, they will be transferred within the then current accounting period to a third party collection agency.

B. All accounts written off will be removed from the active accounts receivable listing to a written off accounts listing (such as in-house bad debt) for monitoring purposes. The choice of which agency to transfer the account to shall be governed by the managed competition program guidelines, or such other program that may exist from time to time.

C. The amount of the accounts written off shall be removed from the gross accounts receivable and an offsetting reduction to the applicable reserve account(s) in the same accounting period as the transfer to the collection agency.

D. The current gross patient accounts receivable shall be recorded in the Statement of Assets, Liabilities, and Fund Balance net of the accounts written off. Therefore, the
aging of the gross patient accounts receivable as recorded in the Statement of Assets, Liabilities, and Fund Balance shall not exceed 365 days. The offsetting reserves for contractual allowances and allowance for doubtful accounts shall also be net of the accounts written off.

E. The reserves for contractual allowances and allowances for doubtful accounts in the Statement of Assets, Liabilities, and Fund Balance shall be sufficient to fully reserve anticipated amounts that will not be received for active accounts including current inpatients and discharge not final billed (DNFB) accounts.

F. Recoveries, if any, from the collection agencies shall be recorded as a debit to cash and a credit to the allowance for doubtful accounts/contractual allowances. The credit shall be in the same manner as the original write-off. Recoveries shall be recorded gross of any collection agency fees. Agency collection fees shall be recorded as an expense to a collection agency purchase service expense account.

G. Exceptions to the writing off of accounts greater than 365 days old requires the written approval of HHSC’s Vice President and Chief Financial Office or his/her designee.

IV. DEFINITIONS:

A. **Accounts greater than 365 days old** shall mean Inpatient Accounts with receivable balances greater than 365 days from the date of discharge and Outpatient Accounts with receivable balances greater than 365 days from the date of service.

B. **Accounting Period** shall mean a calendar month consistent with the accounting reporting cycles of HHSC.

C. **Third Party Collection Agencies** shall include the State of Hawaii Attorney General’s Office’s collection unit and other industry recognized receivables collection agencies on the HHSC approved vendor listing, as modified from time to time.

D. **Write-off** shall mean the accounting process of removing the receivable from the assets of HHSC and/or any of its facilities by crediting the patient accounts receivable and debiting the applicable contractual allowance account and/or allowance for doubtful accounts. The payor type of the receivable and the remaining receivable amount on the books shall determine the affected debit account(s) at the time of the write-off.

E. **Debt Forgiveness** shall mean permanently removing the patient accounts receivable from the books and records, including subsidiary journals, and ceasing collection efforts. It is presumed that after removing the receivables as forgiven debt from the subsidiary system(s), that no recovery will be achieved.