

State of Maryland  
Department of Health and Mental Hygiene



**Health Services Cost Review Commission**

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**MEMORANDUM**

To: Chief Financial Officers – All Hospitals

From: Dennis N. Phelps  Associate Director, Audit & Compliance

Re: Collection Agency Fees and Attorney's Expenses Associated with Bad Debts

Date: May 15, 2015

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Please note that collection agency fees and attorney's fees associated with the collection of bad debts are hospital expenses and should not be written off as uncompensated care. Nor should recoveries of bad debts be reduced by such expenses. The amount written off to uncompensated care is limited to the difference between the hospital's fully established rates and the amount received for the services provided. Charges billed and not collected for medically unnecessary services are not recognized as charity or uncompensated care (see attached).

If you have any questions, you may contact me at 410-764-2565.

**SECTION 200  
CHART OF ACCOUNTS**

5945	HSCRC Uncompensated Care Fund	<u>Reporting Schedule</u> Schedule GT
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This account is charged with the amount of patient charges paid into, or received from, the HSCRC Uncompensated Care Fund. This account is used to calculate the proper Net Patient Revenue of the reporting hospital

5950	CHARITY/UNCOMPENSATED CARE	Schedule GT
5951	Charity/Uncompensated Care-Hill-Burton	
5959	Charity/Uncompensated Care-Other	

This account is charged with the differential between the amount based on the hospital's full established rates, of charity/uncompensated care patients' bills for hospital services and the amount (if any) to be received from such patients in payment for such services. This differential should be credited directly to the appropriate Accounts Receivable account, rather than to a Contractual Adjustment account, as such charity/uncompensated care discounts are readily determinable. Charges billed and uncollected for medically unnecessary services are not recognized by the Commission, as charity or uncompensated care and should not be charged to these accounts. Amounts resulting from medically unnecessary services should be charged to Administrative, Courtesy and Policy Discounts and Adjustments, Account 5970

When the hospital receives lump-sum grants or subsidies (rather than specific payments for individual patient's bills) from government or voluntary agencies for the care of medically indigent patients, the amount of the lump-sum or grant or subsidy must be credited to "Restricted Donations and Grants for Indigent Care" (Account 5960).