

Lake Region Healthcare
Fergus Falls, MN
Manual/Folder: Corporate
Enhanced:

Origination Date: 08/01/2005
Reviewed/Revised By: Courtney McNamee
Approver (s): Brett Longtin, CFO/VP of
Finance, Larry Schulz, CEO

POLICY: Billing and Collections

POLICY STATEMENT:

This Policy is adopted pursuant to the agreement between Lake Region Healthcare Corporation (“LRHC”) and the Office of the Minnesota Attorney General concerning billing, collection, and discount to certain patients approved by LRHC in July, 2005 (the “AG Agreement”). LRHC believes that a hospital bill should never get in the way of a patient receiving essential health care services and, consistent with the mission and values of LRHC and consistent with terms and conditions of the AG Agreement, LRHC will take into account certain individual's ability to contribute to the cost of his or her care and LRHC's financial ability to provide the care. Further, LRHC believes that debt collection practices of both Lake Region Healthcare staff and external collection agencies retained by LRHC should be managed and maintained in a reasonable fashion and will reflect the mission and values of LRHC, and that LRHC policies concerning billing, collection, and self pay, uninsured discount program should be clear, understandable, and communicated in a dignified manner.

EFFECTIVE DATE:

The effective date of this Policy shall be August 1, 2005 (the “Effective Date”). This Policy shall be reviewed for modification from time to time consistent with LRHC general policy review standards, and shall be reviewed not later than two (2) years from the Effective Date. This policy shall not apply to any matters or occurrences prior to the Effective Date. Any modification of a provision of this Policy that is required to be included under the terms of the AG Agreement, prior to two (2) years from the Effective Date, is subject to approval under the AG Agreement and shall be submitted to the Office of the Attorney General prior to LRHC adopting any such amendments.

ZERO TOLERANCE:

LRHC's Board of Trustees and Chief Executive Officer have a “zero tolerance” policy for abusive, harassing, oppressive, false, deceptive, or misleading language or collections conduct by any LRHC retained debt collection attorney or agency, and their agents and employees, and any LRHC employees responsible for collecting medical debt from patients. Any LRHC employee that is aware of such conduct shall immediately report such matter to his/her supervisor, or if the matter concerns his or her supervisor, to the Director of Human Resources, and the person receiving any such report shall immediately report the matter to the LRHC Chief Executive Officer. If the matter involves the conduct of an LRHC employee, any employee found to have engaged in the prohibited conduct shall be subject to discipline in accordance with LRHC discipline policies. If the matter involves the conduct of an LRHC retained collection attorney or agency, any collection attorney or agency found to have engaged in prohibited conduct shall be

subject to appropriate action by LRHC to address the conduct in question, to prohibit such conduct in the future, and LRHC may take such other steps as it deems appropriate under the circumstances, including termination of the collection attorney or agency engagement.

SECTION A: LITIGATION PRACTICES

1. LRHC shall not give any debt collection agency or attorney any blanket authorization to take legal action against its patients for the collection of medical debt. LRHC will not file any lawsuit against any particular patient to collect medical debt until a LRHC employee with the appropriate level of authority authorizes the litigation after verifying that:

- a. There is a reasonable basis to believe that the patient owes the debt;
- b. All known third-party payors have been properly billed by LRHC, such that any remaining debt is the financial responsibility of the patient and provided that LRHC will not bill a patient for any amount that an insurance company is obligated to pay;
- c. Where the patient has indicated an inability to pay the full amount of the debt in one payment, LRHC has offered the patient a reasonable payment plan, provided that LRHC may require the patient to provide reasonable verification of the inability to pay the full amount of the debt in one payment; and
- d. The patient has been given a reasonable opportunity to submit an application for Community Care, if the facts and circumstances suggest that the patient may be eligible for Community Care, including, for example, if the patient is uninsured or is on MinnesotaCare, Medical Assistance, or other relief based on need.

2. The following are authorized to make the determinations set forth in the prior paragraph: Chief Executive Officer, Chief Financial Officer, Revenue Cycle Director, or Patient Financial Services Coordinator.

3. LRHC's Chief Executive Officer, in consultation with LRHC's general counsel, will review and approve any third party debt collection attorneys engaged to collect medical debt for LRHC. On at least an annual basis, LRHC's Chief Executive Officer will review and determine whether or not to issue to or renew any contract with any third party debt collection attorney. In determining whether to issue or renew any such contract, LRHC will consider whether the debt collection attorney has acted in a manner consistent with this Agreement and with LRHC's mission and policies and applicable laws.

4. LRHC will enter into a written contract directly with any attorney or law firm utilized by it to collect debt from its patients and will not subcontract or delegate the selection of any third party debt collection attorney or law firm to its debt collection agency. Any contract between LRHC and the debt collection attorney or law firm will require the attorney or law firm to act in accordance with the terms of this Agreement, applicable laws, and the policies adopted by LRHC in compliance with the AG Agreement.

5. LRHC will not pay any debt collection attorney or law firm any performance bonus, contingency bonus, or other similar payment which is calculated on the basis of the amount or percentage of debt collected from two or more patients. This paragraph will not prohibit LRHC from paying an attorney a percentage of the debt collected from a particular patient, provided that LRHC will establish adequate contractual controls to ensure that the attorney acts in a manner consistent with this Agreement and LRHC's mission.

6. LRHC's general counsel, or the LRHC representatives identified in Section 2 above, will oversee the conduct of any third party attorney retained by LRHC to collect medical debt from its patients and will oversee all debt collection litigation.

7. LRHC will require that its third party debt collection attorneys take the following actions with respect to the collection of medical debt from patients:

- a. File any lawsuits brought against LRHC's patients for the collection of medical debt with the applicable court no later than seven (7) days after the lawsuit has been served upon the patient.
- b. Sign and date all pleadings, including but not limited to all summonses and complaints and garnishment summonses and related documents.
- c. Ensure that all affidavits of service which aim to document the service of any pleading or legal papers state the following:
 - (i) If the pleading is served by mail, the affidavit of service shall state the address to which it was mailed; and
 - (ii) If the pleading is served personally, the affidavit of service shall state the name of the person to whom the pleading was delivered. Generalized statements, such as that the pleading was delivered to "a person of suitable age," shall not suffice for purposes of this paragraph.
- d. Serve along with any summons and complaint the form attached as Exhibit A, or such other form approved in advance by the Attorney General's Office.
- e. List in the case caption of all pleadings the county where the lawsuit is or will be venued.
- f. LRHC shall instruct its attorneys not to petition any court to have any debtor arrested, or any arrest warrant or body attachment issued, or to cause such an action, as a result of the debtor's failure to appear in court, to complete paperwork, or to otherwise respond to any request or action by LRHC in connection with its efforts to collect medical debt from the patient.

8. LRHC will not obtain a default judgment against any particular patient without the specific, case-by-case approval of its general counsel or an LRHC representative identified in Section 2 above. Prior to authorizing a default judgment, the LRHC general counsel or authorized LRHC representative will determine whether there is a reasonable basis to believe that: the patient may already believe that he or she has adequately answered the complaint by calling or writing to LRHC, its debt collection agency, or its attorney; whether the patient is sick, disabled, infirm, or elderly so as to potentially render the patient unable to answer the complaint; or whether the patient may not have received service of the complaint. LRHC will serve any motion for default judgment upon the patient at the patient's last known address.

9. If LRHC has knowledge of the identity of an attorney representing a patient in connection with LRHC's debt collection efforts, it will notify its third party debt collection attorney, law firm, and agency of the identity of any attorney who represents the patient. Neither LRHC, nor any debt collection agency or attorney retained by it, will directly contact any patient known to be represented by attorney with regard to the collection of that debt without the permission of the patient's attorney.

10. If a patient notifies LRHC, a debt collection agency retained by LRHC, or any attorney utilized by LRHC that: a) the patient does not owe all or part of a bill, b) a third party payor should pay the bill, or c) the patient needs documentation concerning the bill, LRHC, the collection agency, and its attorney must cease further collection efforts until LRHC or the agency provides the patient with documentation establishing that, as applicable, the patient owes the debt or that the applicable third party payor has already paid all amounts for which it is obligated. LRHC or the collection agency shall provide such documentation in writing within ten (10) days and shall not pursue further collection activity for a period of thirty (30) days after providing proof that the debt is owed, so as to give the patient further opportunity to pay the bill or to challenge the documentation supplied by LRHC. If LRHC provides the required documentation and the patient does not respond within thirty (30) days, LRHC, the collection agency, or the attorney utilized by LRHC may resume collection activity.

SECTION B: GARNISHMENTS

1. LRHC will not give any debt collection agency or attorney a blanket authorization to pursue the garnishment of patients' wages or bank accounts. LRHC will not authorize a debt collection agency or attorney to proceed with garnishment of a particular patient's bank account or wages until the Revenue Cycle Director, the Patient Financial Services Coordinator, the Chief Executive Officer, the Chief Financial Officer, or LRHC's general counsel authorizes the garnishment for that particular patient after verifying that:

- a. LRHC has no reasonable basis to believe that the patient's wages or funds at a financial institution are likely to be exempt from garnishment. Such information may include, but is not limited to, such factors as whether the patient is on Social Security, Medical Assistance, or other relief based on need;
- b. There is a reasonable basis to believe that the patient owes the debt;

- c. All known third-party payors responsible for all or a portion of a billing have been properly billed by LRHC, such that any remaining debt is the financial responsibility of the patient and provided that LRHC will not bill a patient for any amount that an insurance company is obligated to pay;
- d. Where the patient has indicated an inability to pay the full amount of the debt in one payment, LRHC has offered the patient a reasonable payment plan consistent with its repayment plan policies, provided that LRHC may require the patient to provide reasonable verification of the inability to pay the full amount of the debt in one payment; and
- e. The patient has been given a reasonable opportunity to submit an application for Community Care, if the facts and circumstances suggest that the patient may be eligible for Community Care, including, for example, if the patient is uninsured or is on MinnesotaCare, Medical Assistance, or other relief based on need.

2. LRHC will not garnish, or permit to be garnished, the wages or bank account of any patient unless LRHC has first obtained a judgment against the patient in court for the amount of the debt.

3. In the initial notice sent by LRHC to any patient of a garnishment, LRHC will include, or cause to be included, the informational form attached as Exhibit B.

4. If a patient submits a written claim in the form required by applicable law establishing that the patient's account or wages are exempt from garnishment, LRHC's third party debt collection attorney will not object to the claim of exemption without receiving the specific, case-by-case approval of LRHC's general counsel or LRHC's Chief Executive Officer, Chief Financial Officer, Revenue Cycle Director, or the Patient Financial Services Coordinator. In deciding whether to grant such approval in a particular case, such authorized individuals will review all information submitted by the patient in support of the patient's claim of exemption.

SECTION C: COLLECTION AGENCIES

1. On at least an annual basis, LRHC's Chief Executive Officer will review and determine whether or not to issue to or renew any contract with any third party debt collection agency. In determining whether to issue or renew any such contract, LRHC will consider whether the debt collection agency has acted in a manner consistent with this Agreement and with LRHC's mission and policies and applicable laws.

2. LRHC will enter into a written contract with any collection agency utilized by it to collect debt from its patients. The contract will require the collection agency to act in accordance with the terms of this Agreement, applicable laws, and the policies adopted by LRHC in compliance with the AG Agreement.

3. LRHC will not refer any patient's account to a third party debt collection agency unless LRHC has confirmed that:

- a. There is a reasonable basis to believe that the patient owes the debt;
- b. All known third-party payors have been properly billed by LRHC, such that any remaining debt is the financial responsibility of the patient and provided that LRHC will not bill a patient for any amount that an insurance company is obligated to pay;
- c. Where the patient has indicated an inability to pay the full amount of the debt in one payment, LRHC has offered the patient a reasonable payment plan, provided that LRHC may require the patient to provide reasonable verification of the inability to pay the full amount of the debt in one payment; and
- d. The patient has been given a reasonable opportunity to submit an application for Community Care, if the facts and circumstances suggest that the patient may be eligible for Community Care, including, for example, if the patient is uninsured or is on MinnesotaCare, Medical Assistance, or other relief based on need.

4. LRHC's general counsel, Chief Financial Officer, Chief Executive Officer, Revenue Cycle Director, or the Patient Financial Services Coordinator are authorized to make the determinations required in the preceding paragraph.

5. LRHC will not refer any medical debt to a third party debt collection agency or attorney if the patient has made payments on that debt in accordance with the terms of a payment plan previously agreed to by LRHC.

6. If a patient has submitted an application for Community Care after an account has been referred for collection activity, LRHC will suspend all collection activity until the patient's Community Care application has been processed by LRHC and LRHC has notified the patient of its decision.

7. LRHC will not pay any debt collection agency any performance bonus, contingency bonus, or other similar payment which is calculated on the basis of the amount or percentage of debt collected from two or more patients. This paragraph shall not prohibit LRHC from paying a collection agency a percentage of the debt collected from a particular patient, provided that LRHC will establish adequate contractual controls to ensure that the collection agency acts in a manner consistent with this Agreement and LRHC's mission.

8. LRHC shall require any third party debt collection agency and attorney utilized by it to keep a log of all oral and written complaints received by any patient concerning the conduct of the agency. For purposes of this paragraph, a "complaint" is any communication from a patient or patient's representative in which they express concerns about the conduct of the debt collection agency. LRHC will obtain a complete copy of the log at least six (6) times per year. LRHC's contract with the debt collection agency will state that failure by the agency to log and provide all patient complaints in the manner required by this paragraph may result in termination of LRHC's contract with the agency.

9. LRHC will require any third party debt collection agency and attorney utilized by it to keep a record of the date, time, and purpose of all communications to or from its patients.

10. If a patient asks any third party debt collection agency or attorney for the contact information for LRHC, LRHC will instruct the agency or attorney to provide the patient with the phone number and address identified in Section D, Subdivision 1. LRHC will not refuse to supply information to or speak with any of its patients on the basis that the account has been placed with a third party debt collection agency or attorney for collections.

11. LRHC will train its outside debt collection agencies and attorneys about LRHC's Community Care policy and how a patient may obtain more information about LRHC's Community Care policy or submit an application for Community Care. LRHC will require its debt collection agencies and attorneys to refer patients who may be eligible for Community Care to LRHC.

12. LRHC will include the following language on all collection notices sent to patients by it or its third party debt collection agencies or attorneys, and on all cover letters serving all lawsuits and garnishment papers:

You have the option to address any concerns with the Minnesota Attorney General's Office, which can be reached at 651-296-3353 or 1-800-657-3787.

LRHC will print this language with the prominence required for notices under the federal Fair Debt Collection Practices Act.

13. LRHC and its outside debt collection agencies, attorneys, or agents may report a patient's medical bill account to a credit reporting agency for failure to pay a medical bill only under the circumstances described below:

- a. LRHC will not report any outstanding account in excess of \$1,000.00 to a credit reporting agency unless LRHC has first obtained a legal judgment in excess of \$1,000.00 against a patient.
- b. LRHC will not report any outstanding account of \$1,000.00 or less, unless an authorized LRHC representative shall determine and certify:
 1. There is a reasonable basis to believe that the patient owes the debt;
 2. That all known third-party payers have been properly billed by LRHC and that any remaining debt is the financial responsibility of the patient;
 3. That if the patient has indicated an inability to pay the full amount of the debt in one payment, LRHC has offered the patient a reasonable payment plan. If LRHC and the patient agree to a payment plan, LRHC may not thereafter report the patient's account to a credit reporting agency unless the patient has

materially defaulted on the payment plan by either failing to provide payment in full within 180 days of the first post discharge patient statement or within six months from the agreed upon payment arrangement time.

4. That the patient has been given a reasonable opportunity to submit an application for Community Care, if the facts and circumstances suggest that the patient may be eligible for Community Care, including, for example, if the patient is uninsured or in on MinnesotaCare, Medical Assistance, or other relief based on need;
5. That the patient's bank accounts and wages are not exempt from garnishment under Minnesota law;
6. That there is a reasonable basis to believe that the patient is not sick, disabled, infirm, or elderly so as to render the patient unable to respond to debt collection efforts;
7. That LRHC has made a minimum of four attempts to contact the patient within a period of at least 120 days, which contacts have not resulted in the establishment of a payment plan, an offer of Community Care, or other resolution of the bill. LRHC shall notify the patient during these contacts of LRHC's Community Care and payment plan policies and shall offer to arrange a face-to-face or telephone meeting to discuss the bill. At least one of the attempted contacts shall be by telephone and at least one shall be by letter in the form attached as Exhibit C.
8. Lake Region Healthcare will treat a recurring episode of care based on a one month time period. The recurring episodes of care included are physical therapy, occupational therapy, and speech therapy, Cardiac Rehab, Pulmonary Rehab, Chemotherapy and Radiation Oncology. Patients shall receive one billing statement for the whole month of services. Expecting mothers that doctor primarily with Lake Region Healthcare will be treated as one episode of care. Any visit that a patient comes to LRHC for relating to their pregnancy will initially obtain a financial assistance summary at their first OBGYN clinic visit and will not subsequently receive one after that until a new episode of care starts.

LRHC will maintain documentation to show that these matters were met.

- c. LRHC will not report to a credit bureau or seek to collect from the patient amounts in excess of that which LRHC would be entitled to collect under the LRHSPD program, if applicable.

- d. LRHC will keep a log of the names of all patients whose accounts have been submitted to a credit reporting agency, which log will be produced to the Attorney General's office upon request.
- e. If LRHC erroneously submits a patient's account to a credit reporting agency, within ten (10) days of LRHC being notified of or discovering the error, LRHC shall send a notification to the credit reporting agency so as to effectively correct the error and shall promptly provide the patient upon request with any other necessary documentation to correct the error. If LRHC submits a patient's account to a credit reporting agency and the patient subsequently resolves the matter by paying the bill in full or substantially complying with a payment plan, LRHC shall within ten (10) days notify the credit reporting agency of the patient's compliance and shall promptly provide the patient upon request with any other necessary documentation to correct the adverse report.

14. If a patient notifies LRHC, an outside debt collection agency retained by LRHC, or any attorney utilized by LRHC that: a) the patient does not owe all or part of a bill, b) a third party payor should pay the bill, or c) the patient needs documentation concerning the bill, LRHC, the collection agency, and its attorney must cease further collection efforts until LRHC or the agency provides the patient with documentation establishing that, as applicable, the patient owes the debt or that the applicable third party payor has already paid all amounts for which it is obligated. LRHC or the collection agency shall provide such documentation in writing within ten (10) days and shall not pursue further collection activity for a period of thirty (30) days after providing proof that the debt is owed, so as to give the patient further opportunity to pay the bill or to challenge the documentation supplied by LRHC. If LRHC provides the required documentation and the patient does not respond within thirty (30) days, LRHC, the collection agency, or the attorney utilized by LRHC may resume collection activity.

SECTION D: CENTRAL BILLING OFFICE

1. LRHC has established and maintained, and will continue to so do, a centralized billing and collections department as part of its Revenue Cycle and Patient Financial Services department, and has a Director of its Revenue Cycle who is responsible, among other things, for management and oversight of the centralized billing and collections department. The centralized billing and collections department is located at 126 East Alcott, Fergus Falls, MN, 56537. The telephone number for LRHC's central billing office is 218-736-8000. With assistance from such other departments as necessary, the centralized billing and collections department is responsible for patient services and materials billing and collection of patient accounts for medical services and materials.

2. LRHC's centralized billing department staff will make, or caused to be made, timely and accurate submissions of claims to third party payors, in compliance with the terms and conditions of the applicable agreements with third-party payors and the requirements of law. Patients will be required to provide such information and assistance concerning a billing submission as is necessary to process and submit a payment claim and as is reasonably requested by LRHC staff or the third party payor(s). LRHC will implement such other policies and procedures necessary for the timely and accurate submission of claims to third party payors.

3. If LRHC timely receives from a patient information about the patient's third party payor with which LRHC has a contract and which is actually responsible for payment of all or a portion of a claim, and if LRHC receives all information from a patient necessary to complete and process a payment claim, but does not timely submit a claim to the third party payor due to circumstances within the sole control of LRHC staff, LRHC will not bill a patient for any amount in excess of that for which the patient would have been responsible had the third party payor paid the claim.

4. If LRHC timely receives from a patient information about the patient's third party payor that is actually responsible for all or a portion of a claim, and if LRHC receives from a patient all information necessary to complete and process a payment claim, LRHC will not refer any bill to a third party collection agency or attorney for collection activity while the claim for payment of a bill is pending with a third party payor with which LRHC has a contract.

5. LRHC may refer a bill to a third party collection agency or attorney following an initial denial of the claim by the third party payor. LRHC will not refer any bill to a third party collection agency or attorney for collection activity when a claim is denied by a third party payor due to LRHC's error not caused by the patient or any third party, but only if such error results in the patient becoming liable for the medical debt when they would not otherwise be liable.

6. In order for LRHC to properly bill a patient's third party payor, LRHC will need a patient's cooperation and LRHC may not be able to properly bill a patient's third party payor without a patient's cooperation. Lack of patient cooperation will relieve LRHC from any payment forgiveness provision of this Policy.

7. In the event that LRHC staff believes that a third party payor has improperly delayed or denied payment of a patient claim, LRHC may file a complaint with the Minnesota Attorney General's Office, which may provide assistance to LRHC or a patient in attempting to get the claim paid.

8. LRHC centralized billing and collections department staff are responsible to respond to and research patient questions or disputes concerning bills. The central billing and collections department staff shall be available during regular business hours Monday through Friday (excluding holidays when the department is otherwise closed). Patient bills and collection notices sent by LRHC will include the address and phone numbers, including a toll-free phone number, that patients may call or write.

9. LRHC centralized billing department staff will return telephone calls regarding billing inquires or disputes made by patients to the billing inquiry telephone number as promptly as possible, but in no event later than one business day after a call is received. LRHC will respond to correspondence regarding billing inquires or disputes sent to the billing inquiry address by patients within ten (10) days of LRHC's receipt of such correspondence.

10. If a patient notifies LRHC, a debt collection agency retained by LRHC, or any attorney utilized by LRHC that: a) the patient does not owe all or part of a bill, b) a third party payor should pay the bill, or c) the patient needs documentation concerning the bill, LRHC, the collection agency, and its attorney must cease further collection efforts until LRHC or the agency

provides the patient with documentation establishing that, as applicable, the patient owes the debt or that the applicable third party payor has already paid all amounts for which it is obligated. LRHC or the collection agency shall provide such documentation in writing within ten (10) days and shall not pursue further collection activity for a period of thirty (30) days after providing proof that the debt is owed, so as to give the patient further opportunity to pay the bill or to challenge the documentation supplied by LRHC. If LRHC provides the required documentation and the patient does not respond within thirty (30) days, LRHC, the collection agency, or the attorney utilized by LRHC may resume collection activity.

11. LRHC's centralized billing and collection department staff will record and maintain an annual log of all patient complaints received by its billing office staff, including at the centralized billing office, regarding the collection of medical debt by LRHC staff or its third party debt collection attorneys or agencies. The record shall include the date of the complaint, the name of the patient, a brief description of the nature of the complaint, and any action taken or to be taken. The record and log shall be maintained at the centralized billing department.

12. The LRHC Director of Revenue Cycle is responsible to implement this Policy (except for matters reserved to the Chief Executive Officer or the Board of Trustees) and will oversee and manage, with delegable authority, all collection practices and activity of LRHC internal debt collectors and all third party debt collection agencies retained by LRHC and will maintaining such reports and records concerning the same as deemed reasonable and necessary. Such activities shall include, but are not limited to, the following:

- a. Maintain an annual listing of all filings of debt collection litigation against LRHC patients, including the garnishment of patient wages or accounts subsequent to entry of a default judgment.
- b. Oversight of the debt collection activity of all third party debt collection agencies retained by LRCH.
- c. Oversight of the debt collection activities of LRHC internal debt collectors.
- d. LRHC's compliance with the AG Agreement and this Policy.

SECTION E: COMMUNITY CARE POLICY AND SELF PAY DISCOUNT POLICY

1. LRHC has adopted and implemented a stand-alone Community Care policy and a stand-alone policy concerning its Self Pay Discount Program (the "LRHSPD"). Said policies will be administered consistent with the belief by LRHC, and its long standing policy, that a hospital bill should never get in the way of a patient receiving essential health care services, taking into account an individual's ability to contribute to the cost of his or her care and LRHC's financial ability to provide the care. Patients seeking to participate in the Community Care program or LRHSPD program are required to comply with the standards and requirements of each policy in order to qualify.

2. In compliance with the AG Agreement, LRHC adopted the LRHSPD program, a copy of which is attached. The LRHSPD program will be administered pursuant to the terms of this Policy and the terms of the LRHSPD program as described in the attached document.

3. LRHC will generally make available information concerning its Community Care program and LRHSPD policies. To that end, LRHC will train its staff responsible for admissions, billing, and providing direct patient treatment, about the existence of LRHC's Community Care program and LRHSPD program and how a patient may obtain more information about LRHC's Community Care program or the LRHSPD program, or submit an application for Community Care or the LRHSPD. The Director of the Revenue Cycle Department will be available to answer any questions concerning the Community Care program or the LRHSPD program.

4. The LRHSPD is designed to assist patients who do not have insurance available to pay for medically-necessary healthcare treatment and do not qualify for other third party payor programs, whose annual household income is less than \$125,000.00. Persons seeking to utilize the LRHSPD must meet the eligibility requirements of the program and all third party payor resources and non-hospital financial aid programs must be determined to be unavailable prior to a patient applying for the LRHSPD.

5. The LRHSPD is only available for Lake Region Healthcare charges for "Uninsured Treatment." The term Uninsured Treatment means any medically necessary health care treatment or services which are not covered by a plan, contract, or policy which provides coverage to the patient through or is issued to the patient by: (1) a "health plan company," as that term is defined in Minn. Stat. § 62Q.01, Subd. 4; (2) a self-funded employee benefit plan; (3) any governmental program, including but not limited to MinnesotaCare, the Minnesota Comprehensive Health Association, Medicare, Medicaid, or TriCare; (4) any other type of health insurance, health maintenance, or health plan coverage; (5) any other type of insurance coverage, including but not limited to no-fault automobile coverage, workers' compensation coverage, or liability coverage. The LRHSPD is applicable only to charges for medically necessary healthcare treatment and not for cosmetic or elective procedures without any medical necessity. The LRHSPD is available only for services or materials provided directly by Lake Region Healthcare Corporation.

6. When it is determined that a patient does not have insurance, third party payor resources or government-supported programs to cover LRHC charges for medically necessary health care treatment, the LRHC Revenue Cycle Department will begin the eligibility determination process for the LRHSPD once a patient submits a completed application form adopted by LRHC, along with income verification documents. Failure to complete the application or provide the income verification documents will result in the LRHSPD not being available. A patient must provide income documentation such as recent tax statements, pay stubs, employer salary history, etc. with the application. LRHC Revenue Cycle Department will process applications and may need to contact patients or third parties and request additional information. Once the eligibility process is complete, a patient will receive notification from LRHC in the mail. For patients who qualify for the discount, the application will constitute a written agreement to pay the amount of the charges remaining after making the applicable deduction under the LRHSPD.

SECTION F: MISCELLANEOUS PROVISIONS

1. Modification: Any modification of a provision of this Policy that is required to be included under the terms of the AG Agreement, prior to two (2) years from the Effective Date, is subject to approval under the AG Agreement and shall be submitted to the Office of the Attorney General prior to LRHC adopting any such amendments. In the event that LRHC concludes that any provisions of this Policy are no longer feasible to implement, that the patient base of LRHC may be better served by a modification of this Policy, or that if LRHC has evidence that the terms of this Policy have caused those who can afford health insurance coverage to voluntarily choose to go without it, LRHC may request that the Office of the Minnesota Attorney General to consent to a modification of the terms of this policy that are subject to the AG Agreement. Under the AG Agreement, the Attorney General shall make a good faith evaluation of the then-existing circumstances and, after collecting information the Attorney General deems necessary, shall make a decision within thirty (30) days as to whether to consent to a modification of this Policy. A modification of any provision of this Policy that is not required to be included under the terms of the AG Agreement is not subject to Attorney General approval.

2. Independence of LRHC Collections. LRHC and its agents will not state or imply, directly or indirectly, that the State of Minnesota or the Attorney General's Office has approved of, condones, or agrees with any lawsuit, garnishment, or other attempt by LRHC to collect debt from a patient.

3. Limitations on Collections. The provisions of this Policy concerning limitations on collection practices, actions, and lawsuits shall apply only to collection of medical debt from patients, and not to any other collection matter or matter involving claims against patients.

4. Community Care Policy. The provisions of LRHC's Community Care policy shall be administered in conjunction with this Policy under circumstances calling for its application, provided, however, that the Community Care policy is a stand-alone policy and is independent of the requirements of the AG Agreement in terms of administration, content and substance.

5. Board of Trustee Review. LRHC's Board of Trustees will receive reports concerning and will review, at least annually, LRHC's practices in the following areas; provided, however, that the Board of Trustees shall have no obligation or duty to oversee, manage, or otherwise be involved in the day-to-day operations of collection actions and practices:

- a. The filing of debt collection litigation against LRHC patients, including the garnishment of patient wages or accounts subsequent to entry of a default judgment.
- b. The debt collection activity of all third party debt collection agencies retained by LRHC.
- c. The debt collection activities of LRHC internal debt collectors.
- d. LRHC's compliance with the AG Agreement and this Policy.

- e. The results of the reviews required by the Chief Executive Officer in Sections A(-) and B(-) of this Policy.
- f. The results of the audits required by Section E() of this Policy.
- g. LRHC's Community Care practices.

6. Audit of Collection Agencies and Attorneys. LRHC will audit, or cause to be audited, the practices of any of its approved third party debt collection agencies and debt collection attorneys, and its internal medical debt collection practices, at least one (1) time annually. The audits will, at a minimum, review compliance with this Policy and the AG Agreement.

7. Cooperation with Office of the Attorney General. LRHC will cooperate with, respond to inquires of, and provide information to the Attorney General in a timely manner as necessary for the enforcement of this Agreement, subject to applicable law.

Approved to be effective August 1, 2005.

LAKE REGION HEALTHCARE
CORPORATION

By: Brett L. Longtin
Chief Financial Officer

EXHIBIT A

LAKE REGION HEALTHCARE CORPORATION LAWSUIT INFORMATION SHEET

You are receiving this information sheet because you have been served with a Summons and Complaint (which has the effect of a "lawsuit" being commenced against you) by **Lake Region Healthcare Corporation ("LRHC")**. Neither **LRHC**, its employees, its other representatives, or its attorneys can or will give you legal advice. This document only provides you basic information, and you should immediately discuss this matter with an attorney.

- **Start of the Lawsuit.** To start a lawsuit against you, **LRHC** has caused to be served a Summons and Complaint on you either: (a) by having it be delivered to you personally or having it left it at your home; or (b) by mail, if you agree in writing to accept "service" of the Summons and Complaint by mail and sign a form that so indicates. The Summons informs you that you must provide a *formal, written legal "answer" to the complaint* within 20 days after you have been served with the legal documents. The Complaint explains why **LRHC** is suing you and asks a court to require you to pay **LRHC** money for amounts which **LRHC** claims you owe to it.
- The Summons and Complaint may not include a court file number. The documents are, however, the legal documents that begin the lawsuit. It is very important that you do not ignore the documents, or you will be in "default." If you are in default, **LRHC** may ask a court to award a money judgment. No court hearing is required for a default judgment to be entered against you if you do not respond to the Complaint.
- **Answering a Complaint.** The "Answer" is the formal legal name for your response to the Complaint. The Answer must meet certain requirements of the Minnesota Rules of Civil Procedure. *Contacting LRHC or its attorney by telephone or written correspondence is not "answering" the Complaint.* While **LRHC** encourages you to call if you have questions regarding the bill that was sent to collections, doing so is not a formal "Answer." Some court clerks have form "Answers" which may be of assistance to you. You must serve a copy of your Answer on **LRHC's** attorney by mail, fax, or hand delivery and complete an Affidavit of Service that explains who was served, how, and on what date. The Affidavit of Service form must be signed in front of a notary public or a court clerk. If you want a judge to hear the dispute, you should file the original Answer and Affidavit of Service with the court in the county in which you are being sued after you have served your Answer on **LRHC**. You will be required to pay a court filing fee. (If you meet certain financial guidelines, however, you may not be required to pay the court filing fee. You may obtain more information regarding a waiver of the fee by contacting the clerk of court.)
- **Failure to Answer.** If you do not "answer" the Complaint, **LRHC** may obtain a "default" judgment entered against you requiring you to pay money to **LRHC**. By getting a default judgment, **LRHC** may be able to initiate a separate garnishment action against you.

EXHIBIT B

LAKE REGION HEALTHCARE CORP. GARNISHMENT INFORMATION SHEET

You are receiving this information sheet because **Lake Region Healthcare Corporation** ("LRHC") has started a process to collect money from you by sending a "garnishment summons" to a "garnishee"-- typically your bank or employer. These proceedings are called "garnishment" proceedings. Neither LRHC, its employees, its other representatives, or its attorneys can or will give you legal advice. This document only provides basic information. You should immediately discuss this matter with an attorney.

- **Collecting Money From Your Wages.** If LRHC is trying to collect money from your wages, you should receive notice *before* your wages are garnished or taken. Generally, LRHC cannot garnish more than 25% of your net wages, or any of your net wages if they are less than \$206 per week. If you have received public assistance based on need, LRHC cannot collect any of your wages for 6 months after you received the assistance, if you submit the proper paperwork on time. To claim that wages cannot be taken (i.e., are "exempt"), you must promptly return to LRHC's attorney the "Debtor's Exemption Claim Notice" that came with the "Garnishment Exemption Notice and Notice of Intent to Garnish Earnings." *Calling LRHC is not sufficient.* If LRHC's attorney does not receive this exemption notice within 10 days, LRHC can seek to collect money from your employer. **If LRHC does not agree that your wages are exempt, it can still seek to get money from your employer, and you will have to ask the court to decide that your wages cannot be taken.**
- **Collecting Money From Your Bank Accounts.** If LRHC is trying to collect money from your bank account, the bank will "freeze" enough money in your account to pay off your debt to LRHC. *You will not receive notice of the bank garnishment until after your funds are already frozen. You will not have access to your funds while they are frozen. Your checks may "bounce," and you may incur overdraft charges during this time.* You may want to contact your bank immediately.

If you deposit qualified public assistance checks (or wages if you are on or have received public assistance within the last 6 months) in a bank account, LRHC cannot garnish your account for 60 days, if you timely fill out the proper paperwork. To claim that funds in your bank account cannot be taken (i.e., are "exempt"), you must sign and return within 14 days to the bank (and LRHC's attorney) the "Exemption Notice" (the form your bank sent to you when it received a Garnishment Summons from LRHC). *Calling LRHC is not sufficient.* You may want to include copies of documents (i.e. benefit letters, bank statements, etc.) to show why your funds are exempt. **If you don't claim an exemption within 14 days from the date the bank mailed the exemption notice to you, the bank may turn over your frozen funds to LRHC.** If you do claim an exemption on time, the bank will "unfreeze" your funds and release them to you in 7 days unless LRHC "objects" to your "exemption claim." If LRHC "objects," it must send you a written objection to your exemption claim, along with a form entitled "A Request for Hearing and Notice of Hearing." **If LRHC sends you this form, you must fill out and file with the court the "Request for Hearing" form within 10 days of receiving the objection, or the bank can release your money to LRHC.**