



**RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER  
FINANCE DEPARTMENT POLICY & PROCEDURE**

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**SUBJECT: PATIENT ACCOUNT COMPROMISE  
PROCEDURES**

Policy No: **201.9**  
Revision No:  
Revision Date:  
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**PROCEDURE NAME**            **COMPROMISE PROCEDURES**

**PURPOSE:**                    To identify the steps to be followed when a compromise is offered on a patient account liability resulting from the provision of medical care. The reduction can only occur after appropriate billing and collection efforts have been made in accordance with established policies and procedures (e.g., financial screening, third-party payor identification, billing and collection desk procedures, etc.).

**Responsible Area:**            Director of Health Services (Director), Finance Director, Chief of Revenue Management (RM), Facility Finance Directors (CFOs) and Rancho Finance Staff.

**Limits:**                        Through delegated authority, the Chief of RM may reduce the amount of liability for any account by the greater of i) \$15,000, or ii) 50% of the account balance. However, in no event shall any compromise exceed \$75,000 without Board approval.

Rancho Finance Director acting under delegated authority from the Director may reduce the amount of liability for any account by the greater of I )\$15,000, or ii) 50% of the account balance. However, in no event shall any compromise exceed \$25,000 without the Chief of RM's approval or Board approval.

Note: The Chief of RM and Rancho's CFO cannot delegate their compromise authority to other staff members.

Limits and authority levels examples identified on Exhibit I.

**Authority:**                        Los Angeles County Code Chapter 2.76, Section 046 Director-Reducing Patient Account Liabilities.

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COUNTY OF LOS ANGELES • DEPARTMENT OF HEALTH SERVICES

**EFFECTIVE DATE:**    April 2002

Reviewed: April 2003  
Reviewed: July 2004  
Reviewed: November 2005

**APPROVED BY:**

PROCEDURES:

<u>Responsible Area:</u>	<u>Step</u>
Rancho Finance Staff	<ol style="list-style-type: none"><li>1. Obtain compromise(s) offer from patient, insurance company, contracted vendor or attorney.</li><li>2. Review account to ensure appropriate billing and collection efforts have been made in accordance with established policies and procedures (e.g., financial screening, third-party payor identification, billing and collection desk procedures, etc.).</li><li>3. If appropriate billing and collection efforts have <b>not</b> been made, deny compromise offer, and resume appropriate billing and collection procedures to collect full cost of care.</li><li>4. If appropriate billing and collection efforts have been made, complete Offer of Compromise (Exhibit II) and Compromise Summary form (Exhibit III).</li><li>5. Hand deliver Offer of Compromise and Compromise Summary form to Rancho's Revenue Manager's Secretary who will submit immediately to Rancho's CFO for review and approval.</li></ol>
Rancho's CFO	<ol style="list-style-type: none"><li>6. Review and approve/deny or if appropriate, recommend for approval all compromises (regardless of amounts) within three (3) working days of receipt.</li></ol>

**COMPROMISE AMOUNT IS LESS THAN OR EQUAL TO \$25,000**

Rancho's CFO	<ol style="list-style-type: none"><li>7. Deny compromise if any of the conditions set forth in Exhibit IV – Compromise Guidelines exist.</li><li>8. If denied, indicate reason for denial on Compromise Summary form, and return to Revenue Manager's Secretary who will copy and return original to requesting Rancho Finance Staff.</li><li>9. Approve compromise if none of the conditions set forth in Exhibit IV –Compromise Guidelines exist.</li><li>10. If approved, sign Compromise Summary form, return to Revenue Manager's Secretary who will photocopy, and retain copy in file.</li></ol>
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Note: This information is needed in order to complete quarterly report of approved compromises.

11. Return original approved Compromise(s) Summary form(s) to requesting Rancho Finance Staff.
- Rancho Finance Staff
12. Receive approved/denied compromise(s) and match to patient file.
13. Notify patient, insurance company, contracted vendor or attorney of approved/denied compromise(s). If approved inform patient, insurance company, contracted vendor or attorney that payment must be received within ten (10) working days or normal collection procedures will be resumed to collect the full cost of care. Complete appropriate section at the bottom of the Offer of Compromise.
14. Wait ten (10) working days for payment.
15. If payment is not received within ten (10) working days, indicate on the Offer of Compromise that debtor defaulted, date, and initial and forward copy to the Revenue Manager's Secretary and resume normal collection procedures to collect full cost of care.
16. If payment is received within ten (10) working days, post payment and adjust compromised amount from the patient's account with the appropriate compromise adjustment code and include these in the quarterly write-off report to TTC.

**COMPROMISE AMOUNT IS GREATER THAN \$25,000 BUT LESS THAN OR EQUAL TO \$75,000**

- Rancho's CFO
17. Deny compromise if any of the conditions set forth in Exhibit IV-Compromise Guidelines exist.
18. If denied, indicate reason for denial on Compromise Summary form, and return to requesting Rancho Finance Staff.
19. Recommend approval of the compromise if none of the conditions set forth in Exhibit IV-Compromise Guidelines exist.
20. If recommended for approval, sign Compromise Summary form(s), photocopy, and retain copy.
21. Fax recommended compromise(s) to the Chief of RM at (213) 482-9179.
- Chief of RM Secretary
22. Hand deliver and notify Chief of RM of compromise(s) received for review and approval/denial.

- Chief of RM
23. Review and approve/deny recommended compromise(s) within three (3) working days of receipt if the amount to be compromised is greater than \$25,000, but less than or equal to \$75,000.
  24. Deny compromise if any of the conditions set forth in Exhibit IV – Compromise Guidelines exist.
  25. If denied, indicate reason for denial on Compromise Summary form, and return to requesting Rancho’s CFO via fax.
  26. Approve compromise if none of the conditions set forth in Exhibit IV – Compromise Guidelines exist.
  27. If approved, sign Compromise Summary form, and return to requesting Rancho’s CFO via fax.
- Rancho’s CFO
28. Receive and match approved/denied compromise(s) to file copy, photocopy and retain approved compromise(s) copies only.  
  
Note: This information is needed in order to complete quarterly report of approved compromises.
  29. Forward original compromise(s) to requesting Rancho Finance Staff.
- Rancho Finance Staff
30. Receive approved/denied compromise(s) and match to patient file.
  31. Notify patient, insurance company, contracted vendor or attorney of approved/denied compromise(s). If approved inform patient, insurance company, contracted vendor or attorney that payment must be received within ten (10) working days or normal collection procedures will be resumed to collect the full cost of care. Complete appropriate section at the bottom of the Offer of Compromise.
  32. Wait ten (10) working days for payment.
  33. If payment is not received within ten (10) working days, indicate on the Offer of Compromise that debtor defaulted, date, and initial and forward copy to the Revenue Manager’s Secretary and resume normal collection procedures to collect full cost of care.
  34. If payment is received within the ten (10) working days, post payment and adjust compromised amount from the patient’s account with the appropriate compromise adjustment code and include these in the quarterly write-off report to TTC.

**COMPROMISE AMOUNT IS GREATOR THAN \$75,000**

- Rancho's CFO
35. Deny compromise if any of the conditions set forth in Exhibit IV-Compromise Guidelines exist.
  36. If denied, indicate reason for denial on Compromise Summary form, and return to requesting Rancho Finance Staff.
  37. Recommend approval of the compromise if none of the conditions set forth in Exhibit IV-Compromise Guidelines exist.
  38. If recommended for approval, photocopy, and retain a file copy.
  39. Fax recommended compromise(s) to the Chief of RM at (213) 482-9179.
- Chief Of RM Secretary
40. Hand deliver and notify Chief of RM of compromise(s) received for review and approval/denial.
- Chief of RM
41. Agree with recommendation or deny compromise(s) within three (3) working days of receipt.
  42. Deny compromise if any of the conditions set forth in Exhibit IV – Compromise Guidelines exist.
  43. If denied, indicate reason for denial on Compromise Summary form, and return to requesting Rancho's CFO via fax.
  44. Recommend approval of the compromise if none of the conditions set forth in Exhibit IV – Compromise Guidelines exist.
  45. If recommending to Board for approval, sign Compromise Summary, prepare Board letter (Exhibit V) and submit Board letter and compromise(s) to Director of Finance for review and approval.
- Director of Finance
46. Review Board letter and compromise(s), if agree with recommended action follow existing Board filing procedures.
  47. If denied, indicate reason for denial on Compromise Summary form, and hand carry to Chief of RM.
  48. Receive and hand carry Board approved/denied compromise(s) to the Chief of RM.
- Chief of RM
49. Receive and forward approved/denied compromises(s) to the requesting Rancho's CFO via fax.

Rancho's CFO

50. Receive and match approved/denied compromise(s) to file copy, photocopy and retain approved compromise(s) copies only.

Note: This information is needed in order to complete quarterly report of approved compromises.

51. Forward original compromise(s) to requesting Rancho Finance Staff.

Rancho Finance Staff

52. Receive approved/denied compromise(s) and match to patient file.
53. Notify patient, insurance company, contracted vendor or attorney of approved/denied compromise(s). If approved inform patient, insurance company, contracted vendor or attorney that payment must be received within ten (10) working days or normal collection procedures will be resumed to collect the full cost of care. Complete appropriate section at the bottom of the Offer of Compromise.
54. Wait ten (10) working days for payment.
55. If payment is not received within ten (10) working days, indicate on the Offer of Compromise that debtor defaulted, date, and initial and forward copy to the Revenue Manager's Secretary and resume normal collection procedures to collect full cost of care.
56. If payment is received within the ten (10) working days, post payment and adjust compromised amount from the patient's account with the appropriate compromise adjustment code and include these in the quarterly write-off report to TTC.

### **QUARTERLY REPORTING**

Rancho's RM Secretary

57. Prepare a quarterly report (Exhibit VI) of all approved compromises and submit to Rancho's CFO for review and approval. Upon Rancho CFO's approval, submit report to the Chief of RM by the 15<sup>th</sup> working day following the end of the quarter with a cc: to Rancho's Revenue Manager.

Chief of RM

58. Receive quarterly compromise approval reports by the 15<sup>th</sup> working day following the end of the quarter from the facilities.
59. Merge facilities quarterly reports into a DHS consolidated report. Prepare memo for the Director's signature to the Board. The quarterly report shall indicate the amount of the liability reduced for each account and the reason for the reduction for each account.

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Director of Finance                      60. Review and if appropriate, submit quarterly report to the Director for signature.

Director                                      61. Submit quarterly report to the Board of Supervisors as indicated in the Los Angeles County Code Chapter 2.76, Section 046 Director-Reducing Patient Account Liabilities, paragraph C.

REFERENCE: Los Angeles County Code Chapter 2.76, Section 046 Director-Reducing Patient Account Liabilities, paragraph C.

**RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER**

Account # \_\_\_\_\_

Account Name: \_\_\_\_\_

**OFFER OF COMPROMISE**

I, \_\_\_\_\_ owe the County of Los Angeles the sum of \$ \_\_\_\_\_ (Amount), \_\_\_\_\_ (Dollars).

As full and final settlement of this obligation, I offer the amount of \$ \_\_\_\_\_ (Dollars). I understand that final acceptance of my offer is contingent upon my compliance with payment requirements, which include an obligation to make this payment within 30 days of notice of acceptance of this offer, and that my offer is subject to the approval and review process established by the Department of Health Services (DHS). If this compromise offer is not accepted by DHS, this payment will be applied as a partial payment with an outstanding balance due.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20

Current Address: \_\_\_\_\_  
Number and Street Name Apt.#  
\_\_\_\_\_  
City State ZIP Code

The conditions of this offer of compromise have been discussed with me and I accept the conditions.

\_\_\_\_\_  
Debtor's Signature Date

The conditions of this offer of compromise have been discussed by:

\_\_\_\_\_  
Facility Representative Signature Date

<b>Date Approved:</b> _____	<b>Date Denied:</b> _____
<b>Date Debtor Notified:</b> _____	<b>Date Debtor Notified:</b> _____
<b>Date Payment Due:</b> _____ (Payment due 30 working days from date Debtor notified)	



**RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER  
FINANCE ADMINISTRATION**

**COMPROMISE SUMMARY**

Account Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

Account Balance: :\$ \_\_\_\_\_

Amount Offered: \$ \_\_\_\_\_

Amount to be Written Off: \$, \_\_\_\_\_

Date of Offer: \_\_\_\_\_

Name of Agency: RANCHO LOS AMIGOS NATIONAL REHAB CTR

Justification: \_\_\_\_\_

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**\*\*\* Facility Finance Director \*\*\***

Within Facility Finance Directors Authority Limits. The facility accepted the offer of compromise and the offer has been:  Denied  Approved

Exceeds Facility Finance Directors Authority Limits. The facility accepted the offer of compromise and the offer has been:  Denied  Recommended

Reason for Denial \_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

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**\*\*\* Chief of Revenue Management \*\*\***

Within Chief of RM Authority Limits. The facility accepted and recommended the offer of compromise and the offer has been:  Denied  Approved

Exceeds Chief of RM Authority Limits. The facility accepted and recommended the offer of compromise and the offer has been:  Denied  Recommended

Reason for Denial \_\_\_\_\_  
\_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**COUNTY OF LOS ANGELES - DEPARTMENT OF HEALTH SERVICES  
COMPROMISE OFFER GUIDELINES**

**Deny compromise if any of the following exists:**

1. Compromise offer is not within the limits identified in the limits authority section of DHS' compromise procedures, which states: (1) The Chief of RM may reduce the amount of liability for any account by the greater of i) \$15,000, or ii) \$75,000 or 50% of the account balance, whichever is less, with any reduction exceeding \$75,000 requiring Board approval; and (2) Facility Finance Directors, acting under delegated authority from the Director, may reduce the amount of liability for any account by the greater of i) \$15,000, or ii) \$25,000 or 50% of the account balance, whichever is less.
2. Account has been negotiated as a result of a fast track agreement.
3. Account is an insurance account in which the County holds a contract with such insurance company.
4. Account is a Medi-Cal Prepaid Health Plan account.
5. Compromise offer is on patient account liabilities resulting from a Medi-Cal share-of-cost (SOC), Medicare deductibles and co-insurances, or Ability-to-Pay (ATP)/Outpatient Reduced-Cost Simplified Application (ORSA) liability.
6. The patient has the financial ability to pay a greater amount of cost of care based on patient's current financial information.

BOARD LETTER FOR COMPROMISE

TO OBTAIN FORMAT FROM H SA .....

COUNTY OF LOS ANGELES- DEPARTMENT OF HEALTH SERVICES  
 RANCHO LOS AMIGOS NATIONAL REHABILITATION CENTER  
 3RD QUARTER  
 APPROVED COMPROMISES  
 FISCAL YEAR 2001 - 2002

EXHIBIT V

PATIENT NAME	ACCOUNT NUMBER	ACCOUNT BALANCE	COMPROMISE OFFER	AMOUNT ADJUSTED	OFFER MADE BY	REASON (S) FOR COMPROMISE
TOTAL		\$	\$	\$		