

Please identify how many lawsuits you have filed against uninsured patients for the current year and the preceding five calendar years and please identify whether or not you are compelled by law to file such lawsuits in order to collect from these individuals. Please identify the amount of debt which was at issue in each suit.

Tupelo Service Finance, the affiliate company who collects on behalf of NMMC, has as its first step in ascertaining whether suit is practicable to pursue, is whether the patient is gainfully employed.

We will, as discussed with Mr. Dean Zelbe, be providing the information for the most recent fiscal year within the next month.

Please identify any times you have sold debt owed to the hospital from uninsured patients to other companies for collection. Please state the amount the debt was sold for, and the terms under which such private collection accounts were sold. In particular, please estimate the volume and value of accounts sold to private companies in the past five years, and whether those sales were made after your hospital rigorously pursued the patient on its own, and whether or not the hospital claimed those same accounts for purposes of collecting the 70% bad debt payments made available to hospitals that despite best efforts, fail to recover aged patient accounts.

NMMC does not sell patient account balances to private collection agencies. It does have an affiliate collection agency, Tupelo Service Finance (TSF), to whom accounts are sold after in-house collection efforts have been exhausted. It also sells accounts to TSF where the patient requests an extended payment arrangement and TSF acts as a finance company in those arrangements, charging interest where patient is financially able to pay. For example, patients who've qualified for partial charity are charged zero interest in an effort to help them with making payment arrangements over an extended period of time. All other patient accounts, including those of uninsured patients whose income is above the charity guidelines, are reviewed on a case-by-case basis to determine if the patient can afford interest, and if not, none is charged.

NMMC sells accounts to TSF only after it has exhausted its collection efforts, which are the same for all patients, except those who are identified as charity-eligible, prior to sale of account. And, if an account has been sold to TSF for a patient who is later determined to be charity-eligible, that account is sold back to NMMC and written off to charity, regardless of the patient's insured status at discharge. Medicare account balances for coinsurance and deductibles (for which the 70% bad debt payment referred to in this question is given) are pursued the same as for other accounts.

Please explain how the sale of private accounts for recovery, and a concomitant claim to Medicare for payments on the same debts is not "double dipping."

Uncollectible account balances for Medicare coinsurance and deductibles are not allowed to be claimed on a hospital's cost report until the period in which it is determined as uncollectible and for NMMC, this is when all in-house collection efforts are exhausted and after 120 days of collection efforts at TSF have been made. Once an account balance

has been included on the hospital's cost report for inclusion as Medicare bad debt, any recoveries made on the account are reduced against total Medicare bad claimed on any subsequent cost reports. Thus, no "double dipping".

Please provide copies of your contracts, if any, with collection agencies.

Please identify whether this collection agency is a for-profit or nonprofit subsidiary of your organization.

Please see attached copy of NMMC's letter of understanding with Tupelo Service Finance, an affiliate of NMMC and a subsidiary of NMHS. TSF provides a finance and collection service to nonprofit or charitable institutions and qualifies as a tax-exempt entity.

NMMC contracts with Franklin Collection Service, Inc. for accounts not collected by Tupelo Service Finance. See attached copy of the contract.

Please discuss any financial relationship with a bank or credit card company that patients use to help finance their debts. Please explain if you differentiate between Medicare and non-Medicare patients in regard to debt. If you sell debt, what is your policy on when that debt is sold, particularly in terms of the age of the debt.

NMMC has no financial relationship with a bank or credit card company that patients use to help finance their debts. As explained above, accounts are sold to TSF once all in-house collection efforts have been exhausted, generally within a period of 90 days once insurance is resolved.



Response to Q. B.16

**NORTH MISSISSIPPI
HEALTH SERVICES**

December 15, 1999

T.W. Muse
Tupelo Service Finance
844 Cliff Gookin
Tupelo, MS 38801

**Re: Agreement between Tupelo Service Finance and North Mississippi Health Services
Hospitals and Clinics**

Dear T.W.:

This letter will confirm our previous existing arrangement, as well as provide for compliance, under the Health Insurance Portability and Accountability Act Privacy Regulations.

Tupelo Service Finance, subsidiary of North Mississippi Health Services, shall provide collection agency services and account payment services for provider subsidiaries of North Mississippi Health Services. These subsidiaries include, but are not limited to, North Mississippi Medical Center, Pontotoc Health Services, Webster Health Services, Tishomingo Health Services, Clay County Medical Corporation, North Mississippi Ambulatory Surgery Center, North Mississippi Dialysis Services, North Mississippi Medical Clinics, Inc. (collectively "Providers").

After one of the above listed Providers has exhausted its collection efforts, all accounts will be sold to Tupelo Service Finance at 85% of balance transfer. If a patient is subsequently determined to be a charity patient, then the account shall be sold back to the provider who will then write off the appropriate amount to charity. Tupelo Service Finance shall undertake all collection activities in compliance with the Fair Debt Collection Act and other applicable state and federal regulations. Tupelo Service Finance shall also comply with the provisions of the Health Insurance Portability and Accountability Act as stated below:

Tupelo Service Finance ("TSF") and Providers shall comply with all applicable laws relating to the provision and receipt of the services, including, without limitation, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and any other similar state or federal laws. In its provision of services on behalf of Providers, TSF may have access to certain protected health information of Providers' patients. If TSF requires access to such protected health information in order to provide the services, TSF shall be a "business associate" of Providers for purposes of compliance with the Administrative Simplification requirements of HIPAA and any implementing statutes and regulations enacted or published, including, without limitation, statutes and regulations relating to the privacy of protected health information (the "Privacy Rule"). TSF may use or disclose protected health information to perform functions, activities or services for or on behalf of Providers only as specified in this Agreement, provided that such a use or disclosure would not violate the Privacy Rule if done by Providers. In connection with this Agreement, each party agrees

D2030 K

830 South Gloster Street
Tupelo, Mississippi 38801
(662) 377-3000

and understands that the terms "business associate," "use," "disclosure" and "protected health information" have the meaning stated in the Privacy Rule. Further, TSF agrees that it will:

- a. Use and disclose protected health information received from Providers or created or received by TSF on Providers' behalf only to provide treatment, payment and health care operations related to Providers' engagement of TSF, as such terms "treatment," "payment" and "health care operations" are used in the Privacy Rule, or as required by law.
- b. Use and disclose such protected health information only in a manner that is compliant with the requirements of the Privacy Rule as applicable to Providers.
- c. Use appropriate safeguards to prevent use or disclosure of such protected health information other than as provided for by the terms of this Agreement.
- d. Report to Providers any use or disclosure of such protected health information not provided for by this Agreement of which TSF becomes aware.
- e. Require that any subcontractors or agents to whom TSF provides protected health information created or received by TSF on Providers' behalf agree to the same restrictions and conditions that apply to TSF with respect to such information.
- f. Make available protected health information in accordance with proposed 45 C.F.R. § 164.524(a), i.e., access to individuals of protected health information.
- g. Make TSF's internal practices, books and records relating to the use and disclosure of protected health information received from Providers available to the Secretary of the Department of Health and Human Services for purposes of determining Providers' compliance with privacy regulations.
- h. After termination of this Agreement, if practical, return or destroy all protected health information created or received by TSF on Providers' behalf from Providers. However, if protected health information is retained, TSF shall use and disclose such protected health information only for the purposes which made its return or destruction not feasible.
- i. Incorporate any amendments or corrections to protected health information when notified by Providers in accordance with the Privacy Rule.
- j. Document disclosures of protected health information and information related to such disclosures as would be required for Providers to respond to a request by an individual for an accounting of disclosures of protected health information in accordance with 45 C.F.R. § 164.528, and provide to Providers or an individual, in the time and manner designated by Providers, information collected in accordance

T. W. Muse
December 15, 1999
Page 3

with this Agreement, to permit Providers to respond to such request in accordance with 45 C.F.R. § 164.528.

In the event TSF fails to comply with the provisions of this section, TSF shall mitigate, to the extent practicable, any harmful effect that is known to TSF of a use or disclosure of protected health information by TSF in violation of the requirements of this Agreement. TSF shall promptly retrieve improperly disclosed information, adopt new policies and practices to assure protected health information is appropriately handled and perform such audits or submit such reports to Providers as Providers may require demonstrating TSF's compliance. The respective rights and obligations of Providers and TSF under this section shall survive termination or expiration of this Agreement. Any ambiguity in this Agreement shall be resolved in favor of a meaning that permits Providers to comply with the Privacy Rule.

Tupelo Service Finance shall also provide assistance to the Providers by buying accounts from the Providers, at 85% of balance transfer, when the patient has requested an extended payment arrangement and Tupelo Service Finance shall act as a finance company in those arrangements. It is agreed that Tupelo Service Finance charges shall generally not exceed seven percent (7%) per annum as adjusted annually. Further, the amount of interest charged may be adjusted to reflect the patient's financial ability to pay. If a patient cannot afford to pay, interest may be waived or reduced.

It is further agreed that Tupelo Service Finance's purpose and mission is to provide a finance and collection service on behalf of the non-profit charitable institutions of North Mississippi Health Services.

If after a reasonable period of time Tupelo Service Finance is not successful in collecting on an open account that has been sold to it, it may then sell the account back to the provider who then places with an outside collection agency. North Mississippi Health Services shall require all outside collection agencies to act within the requirements of the Fair Debt Collection Act.

If you have any questions please contact me.

Sincerely yours,

Gerald Wages
Executive Vice President
North Mississippi Health Services

\kjs

FRANKLIN

Collection Service Inc.



PROPOSAL FOR
CONTRACTUAL AGREEMENT FOR COLLECTIONS

Between

NORTH MS MEDICAL CENTER
830 S. Gloster
Tupelo, Mississippi 38801
(Herein known as Client)
Contact: David Goode
Phone: 601-841-3225

FRANKLIN COLLECTION SERVICE, Inc.
Post Office Box 3910
Tupelo, Mississippi 38803
(Herein known as Agency)

Client authorizes Agency to act on its behalf relative to checks, drafts, money orders, etc., received during the collection of accounts receivable by Client. Client further authorizes Agency, at its option, to place such accounts with attorneys for collection through court action.

Agency will bear the responsibility of all court cost and attorney fees in collection through court action.

Agency will accept all accounts at a rate of 39%.

Once an account has been placed for collection, Client will not release such account for one year from date received, but reserves the right to do so due to special circumstances when keeping the account in collection would not be in our best legal or public relations interest.

P.O. Box 3910
2978 West Jackson Street
Tupelo, MS 38803
Ph: (601) 844-7776
Fax: (601) 844-8592

Page Two

Client will notify Agency within seven days of all monies received on accounts placed for collection. Failure of such notification to pay any invoice submitted by Agency within thirty days will be void service. Further, Agency may charge reasonable attorney and collection costs to secure such payment.

Agency will maintain a license, insurance, and bond to insure that properly due Client are remitted.

Agency shall indemnify and hold harmless Client for any claim or damage including court cost and attorney's fees and court cost or due to Agency's efforts to collect money.

Agency will not be held responsible for any jeopardy caused by its failure to report information to Agency of for Client's submitted an account for collection which is not correct and/or proper under and federal statutes.

All agreements between Agency and Client are incorporated into no statement made by either party shall vary herein expressed.

North Ms Medical Center
Accepted By:

J. P. Brown
8/15/96
DATE

Franklin Collection Service
Accepted By:

Gene Frank
8/19/96
DATE