

<b>Policy: LTCH Bad Debt Reimbursement</b>	Original Publish Date	July , 2010
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## 1.0 Introduction

This policy outlines the rules and processes by which the ministry will determine and reimburse Eligible Bad Debt Costs to long-term care (LTC) home licensees.

This policy recognizes the unique business environment in which LTC home licensees operate, as licensees are obligated to continue to provide services to residents who do not pay their accommodation charges (fully or partially) and cannot discharge a resident for failure to pay accommodation charges.

## 2.0 Definitions

- “Amount(s) Collected” are payments received from a resident in the current year for services provided including basic accommodation, preferred accommodation, optional services, interest charges, penalties, loss of discount, late or insufficient payments and like charges.
- “Bad Debt” is Uncollected Basic Accommodation Charges in the current calendar year where the licensee meets the requirements in Section 5.0 of this policy and the rules set out below.
- “Collection Costs” are those incurred by a licensee in efforts to collect any Bad Debt. These costs must meet the requirements in Section 5.0 and Section 6.0 of this policy.
- “Eligible Bad Debt Costs” are the Bad Debt and Collection Costs that are eligible for reimbursement in accordance with Section 4.0 following the ministry’s determination that the requirements in this policy in respect of these costs have been met.
- “ministry” is the Ministry of Health and Long-Term Care acting on behalf of the Local Health Integration Networks (LHINs).
- “Uncollected Basic Accommodation Charges” are the current year basic accommodation charges less the amounts collected in the current year.

## 3.0 Overview

The ministry will reimburse fifty (50%) percent of Eligible Bad Debt Costs incurred by a licensee by December 31<sup>st</sup> of each year, as per the provisions set out in this policy.

The ministry will not reimburse bad debt costs resulting from:

- Preferred component of accommodation charges;
- Optional services (i.e., foot care, hair dressing etc.); and/or
- Interest charges, penalties, loss of discount, late or insufficient payments and like charges.

#### **4.0 Scope and Calculation of Reimbursement**

The amount collected from a resident in the current year will first be applied to current year basic accommodation charges, and then to prior year basic accommodation charges.

If a licensee charges a resident less than the basic accommodation rate determined by the Director under the Long-Term Care Homes Act, 2007, the ministry will only reimburse fifty (50%) percent of the difference between the amounts charged and the amounts collected.

#### **5.0 Requirements**

A licensee must meet the following requirements to the ministry's satisfaction for Bad Debt and Collection Cost to be considered eligible for reimbursement under Section 4.0

- a) The licensee must make reasonable attempts to contact the resident or person authorized to act on behalf of the resident to discuss unpaid charges and arrange acceptable terms of repayment, provide him/her with written notification of the unpaid charges, and advise him/her to apply for all available types of government assistance to which the resident may be entitled, including applying for a reduced co-payment rate via the Rate Reduction Program;
- b) During the time in which a resident does not pay the accommodation fee (fully or partially) the licensee must have made reasonable attempts at reasonable intervals to collect the full amount owing. The licensee must commence collection attempts as soon as the Bad Debt is identified and demonstrate consistency in its efforts. This includes the licensee taking legal action to recover the debt (e.g. in Small Claims Court) where the licensee determines it is appropriate to do so. The ministry, however, shall have final discretion as to whether or not the licensee's efforts to collect the amount owing have been sufficient;
- c) The licensee must keep records of the cumulative debt owed by each resident;
- d) Basic accommodation fees charged for the current year in relation to Bad Debt, Amount(s) Collected and Collection Costs must be reported in the current year Long-Term Care Home Annual Report (LTCHAR).

#### **6.0 Collection Costs**

Collection Cost may be eligible for reimbursement under Section 4.0 provided that:

- a) They consist of reasonable third party fees, charges, and commissions paid to collect the Bad Debt (e.g., collection agencies fees and commissions, legal fees and costs, court costs and similar costs);
- b) The total cumulative collection costs reported for an individual resident do not exceed the total cumulative basic accommodation charges that have been reported as Bad Debt for that resident;
- c) Collection Costs reported in the current year for an individual resident relate to that resident's debts in the current and previous years; and
- d) The licensee is prepared to substantiate its Bad Debt and Collection Costs claims at the ministry's request.

Note: Licensee staff time and office costs related to collection efforts and Collection Costs incurred above the sum of the basic accommodation fees that have been reported as Bad Debt in current and previous LTCHARs for an individual resident, must be funded from the Other Accommodation envelope.

## 7.0 Reporting

Uncollected basic accommodation charges must be reported by the licensee in the "Resident Bad Debt on Basic Accommodation Fees" section of the LTCHAR.

The licensee must be able to demonstrate reasonable collection efforts and substantiate reported Bad Debt and Collection Costs as outlined in Sections 5.0 and 6.0.

## 8.0 Recovery of Previously Reported Bad Debt

Recoveries in the current year for Bad Debt previously reported to the ministry for which a reimbursement was made to the licensee in a previous year must be reported as prior period revenue in Section A of the LTCHAR.

The recovery is shared fifty (50%) percent by the licensee and 50% by the ministry. Amounts collected in the current year in excess of current year charges, will be applied to prior year's uncollected basic accommodation (see example 3 in Section 9.0).

## 9.0 Examples of Bad Debt Reimbursement

<b>Example 1:</b>		
On December 31st, 2013, a resident owes 2 months of basic accommodation fee totalling \$2,000:		\$0*
On January 1st, 2014, the resident owes January's basic accommodation fee of \$1,000:		\$1,000
On February 1st, 2014, the resident owes February's basic accommodation fee of \$1,000:		\$2,000
On March 1st, 2014, the resident owes March's basic accommodation fee of \$1,000:		\$3,000
On April 1st, 2014, the resident pays \$6,000:		-(6,000)
For balance of the year, the resident is charged for another 9 months (Apr-Dec) @ \$1,000/month:		\$9,000
During balance of the year, no further amount collected:		\$0
<b>Total current year amount charged (12 months @ \$1,000):</b>		
		\$12,000
<b>Total current year amount collected:</b>		
		-(6,000)
<b>Total current year Bad Debt:</b>		
		\$6,000
<b>Note:</b>		
<i>Current Bad Debt is the current year charges less current year amount collected</i>		
<i>Current year amount collected must first be applied to the current year charges</i>		
<i>* 2013 unpaid amount must be reported in the 2013 Annual Report (AR) as Bad Debt</i>		
<i>In the example above, although an aging balance is shown, the ministry does not recognize prior period debt for current year reimbursement</i>		

<b>Example 2:</b>	
On December 31st, 2013, a resident owes 2 months of basic accommodation fee totalling \$2,000:	\$0*
On January 1st, 2014, the resident owes January's basic accommodation fee of \$1,000:	\$1,000
On February 1st, 2014, the resident owes February's basic accommodation fee of \$1,000:	\$2,000
On March 1st, 2014, the resident owes March's basic accommodation fee of \$1,000:	\$3,000
On April 1st, 2014, the resident pays an additional \$100 on top of the basic accommodation fee:	-(1,100)
On May 1st, the resident pays \$100 on top of the monthly basic accommodation fee:	-(1,100)
On June 1st, the resident does not pay any additional amount - only pays monthly basic accommodation fee of \$1,000:	-(1,000)
During balance of the year, the resident pays the basic accommodation fee @ \$1,000/month (Jul-Dec):	-(6,000)
Total current year amount charged (12 months @ \$1,000):	\$12,000
Total current year amount collected:	-(9,200)
Total current year Bad Debt:	\$2,800
<b>Note:</b>	
<i>Current Bad Debt is the current year charges less current year amount collected</i>	
<i>Current year amount collected must first be applied to the current year charges</i>	
<i>* 2013 unpaid amount must be reported in the 2013 AR as Bad Debt</i>	
<i>In the example above, although an aging balance is shown, the ministry does not recognize prior period debt for current year reimbursement</i>	

<b>Example 3:</b>	
On December 31st, 2013, a resident owes 2 months of basic accommodation fee totalling \$2,000:	\$0*
On January 1st, 2014, the resident owes January's basic accommodation fee of \$1,000 & pays in full:	-(1,000)
On February 1st, 2014, the resident owes February's basic accommodation fee of \$1,000 & pays in full:	-(1,000)
On March 1st, the resident owes March's basic accommodation fee of \$1,000 & pays in full:	-(1,000)
On April 1st, the resident pays an additional \$500 on top of the monthly basic accommodation fee:	-(1,500)
The resident pays basic accommodation fee plus \$500 for next 3 months (May-Jul):	-(4,500)
The resident pays basic accommodation fee of \$1,000 (Aug-Dec):	-(5,000)
Total current year amount charged (12 months @ \$1,000):	\$12,000
Total current year amount collected:	-(14,000)
Total current year Bad Debt:	\$0
Amount collected in excess of the current year charges shall be reflected as prior period revenue in Section A of the LTCHAR:	-(2,000)
<b>Note:</b>	
<i>Current Bad Debt is the current year charges less current year amount collected</i>	
<i>Current year amount collected must first be applied to the current year charges</i>	
<i>* 2013 unpaid amount must be reported in the 2013 AR as Bad Debt</i>	
<i>In the example above, although an aging balance is shown, the ministry does not recognize prior period debt for current year reimbursement</i>	

## **10.0 References to Other Policy Documents and Technical Instructions and Guidelines**

For further information, please refer to:

Agreements -

Long-Term Care Homes Service Accountability Agreement

Policy -

LTCH Reconciliation and Recovery Policy

Technical Instructions and Guidelines<sup>1</sup> -

Annual Report Technical Instructions and Guidelines

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<sup>1</sup> AR submission instructions and guidelines are issued annually. Consult the applicable document in effect for the period for which the AR data is being submitted and reviewed.