

# Establishing a Compliant and Compassionate Debt Collection Policy for Your Healthcare Facility

## Services

### Healthcare & Nursing Home Law

- Healthcare Debt Collection

By Thomas J. Cleary on April 1, 2026

Debt collection is not a friendly topic. It's even less so when speaking to patients who are struggling to pay for emergency surgeries, life-saving procedures, or end-of-life care. As a healthcare facility, you need to worry about your bottom line, but balancing financial stability with patient advocacy is critical.

Between shifting federal regulations and pending state legislation, there is a strong need to modernize the approach to establishing a compliant and compassionate debt collection policy for your healthcare facility. Speaking with a [Massachusetts nursing home law and healthcare attorney](#) can help you understand how debt collection has changed and how to handle medical bills with legal precision and empathy.

## Why Debt Collection in Healthcare Requires a Unique Approach

Unlike general consumer debt, medical debt is almost always a debt of necessity. Patients rarely plan for unexpected medical crises, and the financial strain often occurs at the same time as emotional and physical pain. A rigid collection strategy can damage your facility's reputation, erode patient trust, and trigger severe regulatory scrutiny.

Reviewing your debt collection policy may give you an opportunity to reevaluate how you handle patient advocacy. Facilities that become known for strict debt collection vilify themselves within their communities, whereas those that establish compliant but compassionate policies stand as pillars of the community.

## Federal Laws Governing Healthcare Debt Collection

Federal and state laws govern [healthcare debt collection](#). Often, the most stringent is the federal framework, including the Fair Debt Collection Practices Act, Fair Credit Reporting Act, and HIPAA.

### Fair Debt Collection Practices Act (FDCPA)

The [Fair Debt Collection Practices Act \(FDCPA\)](#) was established by the Federal Trade Commission (FTC) to regulate healthcare facilities and their third-party collection agencies. Both internal teams and external partners are prohibited from engaging in [harassment, oppression, or abuse](#) in an attempt to collect a debt. This includes the use of profanity or threats, publishing a list of patients who have not settled their debts, and calling repeatedly or after convenient hours.

Calls and communications are strictly regulated by the FDCPA. Penalties for violating this act

can result in fines of \$1,000 or legal action that can cost you hundreds of thousands of dollars. When this is considered, protecting yourself and your healthcare facility from noncompliance is far more important than collecting a few hundred dollars for blood testing.

### Fair Credit Reporting Act (FCRA)

Over the last few years, the [Consumer Financial Protection Bureau \(CFPB\)](#) has significantly changed regarding how medical debt appears on credit reports. New rules aim to prohibit credit reporting companies from including medical bills on consumer reports, meaning your collection policy must adapt to the fact that credit-score damage will no longer be a primary point of leverage.

### HIPAA Considerations

Any communications regarding a debt must account for sensitive patient data identified in the [Health Insurance Portability and Accountability Act of 1996 \(HIPAA\)](#). Whether you are calling a patient or sending a file to a third-party debt collection agency, you must satisfy regulations regarding Protected Health Information (PHI) to avoid massive wrongful disclosure penalties.

## State-Level Rules Healthcare Facilities Must Follow

The state of Massachusetts is currently undergoing medical debt reform. As of early 2026, the legislature is considering further robust protections under [Senate Bill 2972](#) that may:

- Ban the sale of medical debt to certain aggressive debt buyers.
- Cap interest rates on medical debt at 3% (down from 12%).
- Prohibit the seizure of certain properties to satisfy medical judgments.

These proposed changes would greatly impact how healthcare facilities manage their accounts receivable. Taking steps to stay ahead of these legislative updates can help you avoid litigation and support your staff in focusing on providing high quality patient care.

## Industry-Specific Requirements

Nonprofit hospitals and healthcare facilities that provide services to Medicare and Medicaid patients also have specific regulations in the United States.

### Requirements for Nonprofit Hospitals

Under [Section 501\(r\)\(6\)](#) of the Internal Revenue Code, nonprofit facilities are required to make reasonable efforts to determine if a patient is eligible for financial assistance before taking any extraordinary collection actions (ECAs), such as lawsuits or wage garnishment. The nonprofit is held responsible for any actions of third-party agencies that are collecting debt on its behalf.

### Requirements for Medicare/Medicaid Providers

Medicare and Medicaid providers must show that they made reasonable efforts to collect the debt for at least 120 days before classifying it as uncollectible. For patients eligible for both Medicare and Medicaid, providers must [bill Medicaid first](#) and cannot bill the patient. Improperly billing a qualified medicare beneficiary can lead to sanctions against your facility.

## Building a Compassionate Healthcare Debt Collection Policy

Instead of issuing demand letters with intimidation tactics, consider a more compassionate collection policy, such as a letter offering information on assistance. Early intervention through discussing financial obligations before or during admission can cut down on surprises later on when a patient opens their bill. Consider prioritizing long-term, interest-free payment arrangements and sliding-scale discounts based on [Federal Poverty guidelines](#).

## Step-by-Step Collection Workflow for Healthcare Facilities

Here is a step-by-step collection workflow to consider:

1. **Verification:** Confirm insurance coverage and bill the carrier first.
2. **Notification:** Send a clear, easy-to-read statement of patient responsibility.
3. **Screening:** Automatically screen for Medicaid eligibility or charity care.
4. **Reminder:** Consider sending a letter offering financial assistance advice rather than a final notice.
5. **Grace Period:** Provide at least 120-180 days of internal outreach before considering third-party debt collection services.

This flow balances the requirements you have to keep collecting payments for your facility while offering it in a compassionate manner.

## Using Third-Party Collection Agencies Responsibly

Through federal and state guidelines, your facility is often legally responsible for the actions of your third-party debt collection agencies. If an agency uses aggressive tactics, your facility could face the reputational and legal fallout. Only partner with agencies that focus on healthcare and adhere to a patient-first focus.

## Avoiding High-Risk or Noncompliant Collection Practices

To stay out of the courtroom and ensure compliance with regulations, avoid threatening legal actions, harassment, or improper guarantor tactics. Never threaten a lawsuit unless you actually intend to file one and it is legally permissible. Do not contact a patient's employer, neighbors, or any third parties, as this could be considered harassment. Especially in nursing facilities, avoid pressuring children to pay for their parents' care, as this could be considered improper guarantor tactics.

## Training, Monitoring, and Ongoing Compliance

Regulations in healthcare change quickly. To ensure compliance, keep your team up-to-date through annual training and monitoring. Audit your collection agency's phone calls and review hardship appeals regularly to make sure your policies are being applied equitably. Working with

a Massachusetts nursing home law and healthcare attorney from Cohen Cleary, P.C. can help keep you up to date with ongoing legislative changes.

## Learn More From Experienced Massachusetts Debt Collection Attorneys

The line between a successful recovery and a costly lawsuit is thin. At Cohen Cleary, P.C., we help healthcare professionals and nursing homes navigate the complexities of both state and federal law to protect their interests while maintaining the highest standards of care. [Contact us](#) today to set up a case consultation to see how we can help.