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Dr. William M. Jenkins, President
Louisiana State University System
3810 Lakeshore Drive
Baton Rouge, Louisiana 70808

LSU Health Care Services Division can properly negotiate a sale of uncollected and apparently uncollectible accounts receivable, such as those described, as long as the Health Care Services Division has exhausted all reasonable avenues for the collection of these accounts and as long as the Health Care Services Division will receive payment for the accounts commensurate with their value.

Dear Dr. Jenkins:

This office is in receipt of your opinion request, on behalf of the LSU Health Sciences Center's Health Care Services Division, regarding certain uncollected accounts receivable.

We are advised that patients presenting to an LSU medical facility are screened during the admission process to determine if they are "medically indigent" or able to pay all or a portion of cost of the medical services they receive. Patients who are able to pay for their medical care are billed by the medical facility that renders the care. If payment is not made, the Health Care Services Division refers the account to a commercial collection agency for further action. After one hundred and eighty days, the collection agency returns the uncollected accounts to the Health Care Services Division. Currently, no further action is taken to collect these accounts. Most are written off as "Bad Debt Expense" in accordance with the Division of Administration and State Treasury Policies and Procedures Manual, section 13-1-1. In this posture, the accounts are of no value to the Health Care Services Division, which considers the accounts, at that point, uncollectible.

The accounts apparently have some value, however, to one in a position to continue collection measures. Your correspondence indicates that according to the Accounting Principles Board, accounts that are more than six months old are worth fifty to sixty cents on the dollar, while those that are more than one year old are worth about thirty cents on the dollar.

Specifically, the Health Care Services Division seeks to determine whether or not the sale of these uncollected accounts receivable, which have been billed and then been referred to a collection agency and returned, is permissible.

Please be advised that this office is unaware of any provision of law that would prohibit the LSU Health Care Services Division from properly negotiating a sale of uncollected

and apparently uncollectible accounts receivable, such as those described above. In our opinion, as long as the Health Care Services Division has exhausted all reasonable avenues for the collection of these accounts and as long as the Health Care Services Division will receive payment for the accounts commensurate with their value, in accordance with the accounting standards referred to in your correspondence.

We trust the foregoing to be of assistance. Please do not hesitate to contact us if we can be of assistance in other areas of the law.

Yours very truly,

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BY:


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