

BANKRUPTCY AND THE REVENUE CYCLE: COMPLIANCE, COORDINATION, AND COLLECTIONS IN A POST-PETITION WORLD

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Learning Objectives

- Understand the operational and legal differences between Chapter 7 and Chapter 13 bankruptcies.
- Recognize and appropriately respond to bankruptcy notices to maintain compliance with federal law.
- Implement coordinated procedures between hospitals, agencies, and legal counsel to protect accounts and minimize risk.

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Medical Debt and Bankruptcy

- Personal bankruptcy filings are on the rise nationally.
 - 2024: 478,752
 - 2025: 533,949 (*up 12%*)
- Surveys suggest around 50% to 60% of bankruptcy debtors claim medical debt as their primary reason for filing.

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Federal Bankruptcy Framework

- Title 11 of the United States Code
- “[l]t gives to the honest but unfortunate debtor...a new opportunity in life and a clear field for future effort, unhampered by the pressure and discouragement of preexisting debt.” Local Loan Co. v. Hunt, 292 U.S. 234, 244 (1934).

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The Automatic Stay

- Effective immediately upon a debtor’s bankruptcy filing.
- Prohibits collection activity on pre-petition debt.
- Violations can result in sanctions and fines.
- Intent is irrelevant – strict liability applies.

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Common Automatic Stay Violations

- Automated billing systems.
- Collection calls made after notice.
- Continued litigation and judgment enforcement actions.
- Lack of communication between facility and collection agency.
- Improper credit reporting updates.

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Pre-Petition vs. Post-Petition Charges

- Automatic stay applies only to pre-petition charges.
- Collection activity may continue for post-petition charges.
- Charges must be clearly segregated.
- Pre-petition charges must be omitted from post-petition billing statements.

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Chapter 7 Bankruptcy (Liquidation)

- Most common consumer bankruptcy filing.
- Debtor's non-exempt assets liquidated to pay creditors.
- Typically discharges unsecured medical debts.
- Short timeline from filing to discharge (3 to 6 months).
- Proof of Claim required only if it is an "Asset Case."

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Chapter 13 Bankruptcy (Reorganization)

- Designed for debtor with regular income.
- Repayment plan for 3 to 5 years.
- Proof of Claim required to receive any distribution.
- Ongoing monitoring is essential.

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Notice of Bankruptcy

- Notice of a bankruptcy can come in many forms: official notice from the bankruptcy court, communication from bankruptcy attorney, communication from patient, PACER search.
- Verify key information: case number, filing date, type of bankruptcy (chapter 7 or 13).
- Receipt of notice triggers compliance obligations.
- Immediate Action: flag and freeze collection activity on all pre-petition accounts.

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Accounts on Facility A/R

- Immediately flag pre-petition charges/accounts.
- Segregate post-petition charges/accounts.
- Suppress statements and collection activity.
- Coordinate with legal and compliance teams.

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Accounts Turned Over to Collection Agency

- Notify collection agency of bankruptcy notice immediately.
- Recall or suspend all collection activity.
- Confirm collection agency suspends any accounts in litigation.
- Credit reporting considerations.

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Best Practices & Risk Reduction

- Standardized internal bankruptcy workflows.
- Centralized notice intake.
- Establish clear communication channels.
- Documentation and audit trails.
- Regular training and audits.

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Post-Bankruptcy Actions

- Debts are discharged when a discharge order is entered.
 - *Chapter 7: 3 to 6 months*
 - *Chapter 13: 3 to 5 years*
- Account balances should reflect a zero balance and be closed to prevent further collection activity.
- Watch for cases being dismissed or converted.

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Key Takeaways

- Recognize: Identify bankruptcy notice immediately.
- Freeze: Stop all collection activity on pre-petition charges.
- Verify: Confirm bankruptcy filing and debtor information.
- Classify: Segregate pre-petition and post-petition charges.
- Act: Assign appropriate workflow (Chapter 7 or 13) and monitor case.

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Questions and Discussion

- Open Q&A
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