

How Consumer Engagement Can Help Drive Efficient Consumer Collections for Providers

Stuart Hanson, SVP & GM, Consumer Payments, Change Healthcare

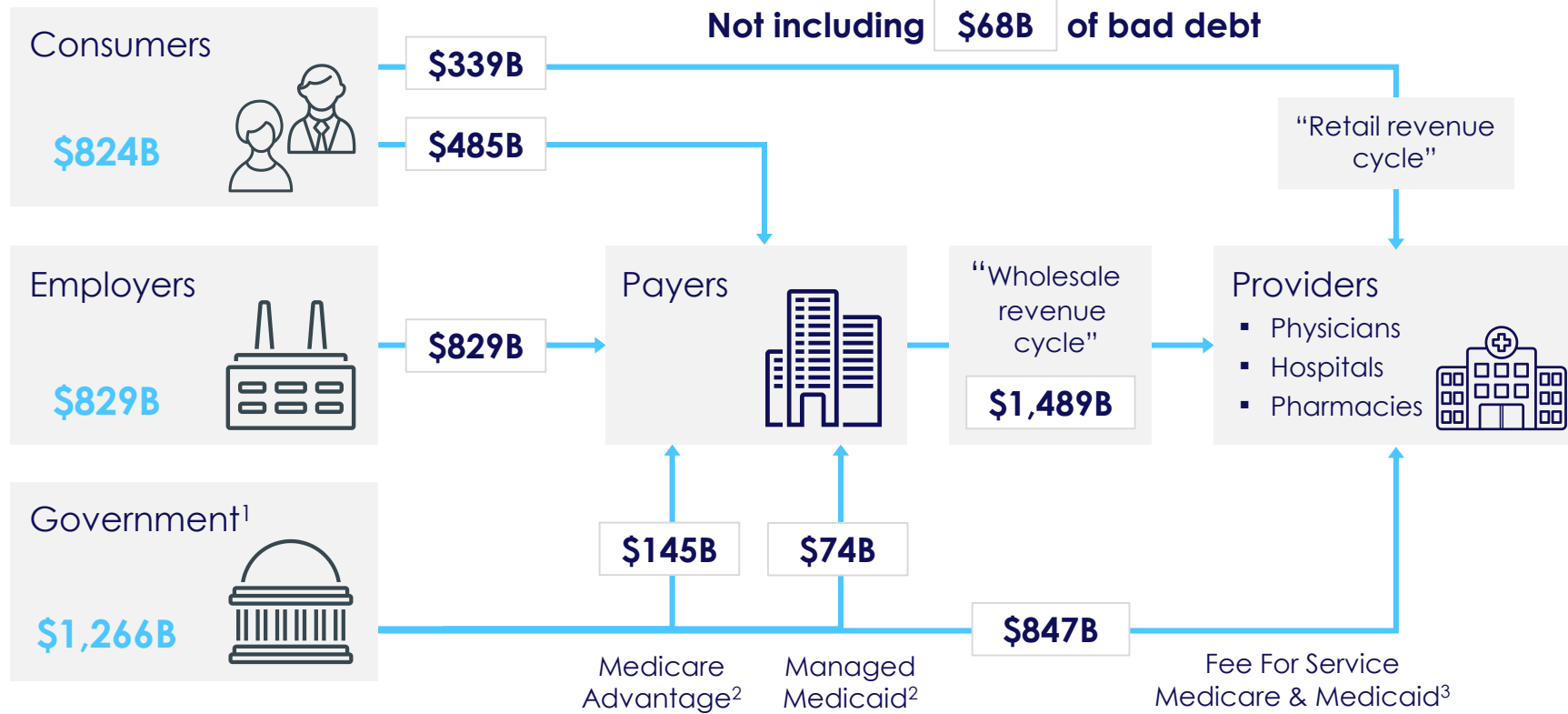
Jack Gehrke, Head of Consumer Digital Payments, Payflex / Aetna Consumer Health Solutions

September 2017

Agenda

- △ Background / Overview of Consumerism
- △ Consumer Frustration & Confusion Drives Poor RCM Performance
- △ Problem Statement...Times Three
- △ Emerging Industry Consensus
- △ Health Plan Perspective
 - Vision
 - Original Version of “Money Squared for Health” Solution
 - Industry & Consumer Reaction
 - Next Gen Vision
- △ Potential Impact of Happier Consumers...Benefits...3X
- △ Q&A

U.S. healthcare payments overview



U.S. Healthcare spending was estimated at \$3.2 trillion⁽⁴⁾ in 2015, or ~18% of GDP. The CBO expects spending to grow to \$5.4 trillion, or ~20% of GDP, by 2024

Sources: National Health Expenditure Data (2015), CMS, Office of the Actuary, Kaiser Family Foundation, US Census Bureau, Bureau of Labor Statistics.

1. Approximately \$200 billion is spent on government public health and research.
2. ~80% of the value from these payments flows to providers.
3. Also includes other government insurance programs: Children's Health Insurance Program, Department of Defense, Department of Veterans Affairs.
4. \$200 billion comes from foundations and other organizations.

Consumerism is changing the game, driving an increasing volume of payments from consumers

Market factors

- Over 6x growth in HDHPs in past 10 years
- Estimated 16.3M future total marketplace enrollments
- 46% increase in individual plans
- Consumers demanding simple, retail experience



\$350 B

Total consumer payments in 2015

Impact

- Engagement and reimbursement models
- Payment and collections strategies
- Digitization of healthcare information
- Compliance and regulatory complexity

<http://www.usnews.com/news/articles/2016-07-13/health-care-spending-shifts-more-costs-to-consumers-government> -

CHANGE
HEALTHCARE

What's happening?



- Consumer financial responsibility is skyrocketing
- Consumers are learning how to manage – shopping for care, services, but still struggling
- Less than 1 in 4 consumers are prepared for any financial surprise over \$1,000
- They expect it to be Amazon simple
- Who do they trust? Any for what?

Growing individual market and increasing member cost share

46%

INDIVIDUAL MARKET GROWTH

The individual insurance market grew at 46%, according to the Kaiser Family Foundation (KFF) in the first full year of ACA marketplaces

15.5M

MEMBERS ON INDIVIDUAL PLANS

15.5 million members signed up for individual plans



\$800

AVERAGE INDIVIDUAL OUT-OF-POCKET COSTS

According to the latest Health Care Cost Institute report, out of pocket costs have risen 4% to an average of \$800/member

Consumerism Shift Results in Great Challenges

Multiple Lenses of the Problem:

Consumers – Want a different way

- Major shift underway towards significant consumer-direct financial responsibility; complicated by new payment accounts, tax laws
- EOB is trusted source; most consumers match to Provider bills
- Many consumers want a better way, but healthcare bills are complex
- Expect “Amazon / PayPal” experience in healthcare – transparent, fair, anticipated

Providers – Require new tools for patient collections & engagement

- Cannot afford patient write-offs to continue
- Struggle to collect from patients at time of care (willing / able / unknown)
- Need more effective ways to engage consumers – financial & wellness
- Antiquated RCM solutions built on wrong foundation with too many additions

Health Plans – Need to bring more value to consumers

- Working to enhance consumer engagement, branding, differentiation
- Threatened by new provider business models (ACO / In house health plans)
- Striving to reduce costs of member communications to compete more effectively on premiums

Impact on consumer payment behavior & providers

Dynamics

Growth in high deductible health plans

Consequences

Increased stress on provider to collect directly from patients

600%
INCREASE
in high-deductible health plan adoption from 2005 to 2013

Consumerism drives increased focus on billing experience

Maximizing collections requires multiple payment channels and ...

... drives patient satisfaction through the last step of the healthcare episode, patient billing

Unsatisfied

33%

paid their bill in full

58%

would return for future service

Fully Satisfied

74%

paid their bill in full

95%

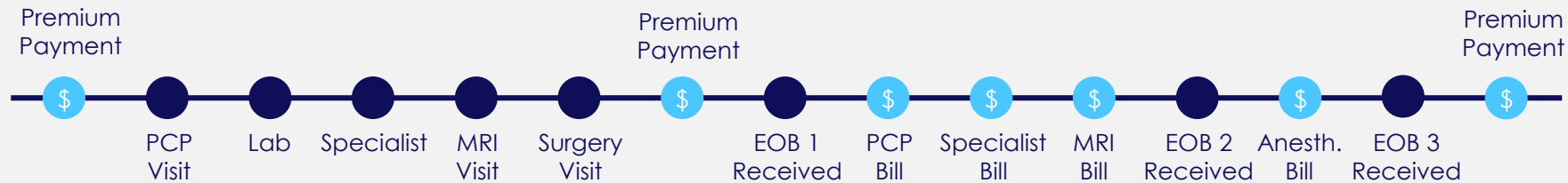
would return for future service

CHANGE
HEALTHCARE

Consumers face a quagmire that reduces likelihood of payments

Healthcare bills are confusing

- They all look different
- They often have confusing terminology, acronyms, and abbreviations
- They often have incomplete information
- They are processed at different times and received in a non-specific order



Consumer healthcare payment patterns

71%

of patients compare their provider's bill to their health plan Explanation of Benefits (EOB)¹

69%

of consumers preferred to pay healthcare bills online¹

38%

of provider bad debt in 2014 was a result of consumer confusion and frustration²

1 – 2013 MadPow Consumer Survey, commissioned by Aetna
2 – 2014 Citigroup research report

The problem: providers' perspective

Collecting payments from patients is difficult, time consuming, and expensive

- Hospitals and doctors wait 90 -145 days to get paid
- 50% of patient payments to hospitals and doctors go unpaid
- 71% of all patients match EOBs to bills before paying
- Collection cycle is long and costly (2-3 invoices each)

Patient payments are a large and growing source of revenue

- 12% of total revenue in 2007 to 30% in 2012

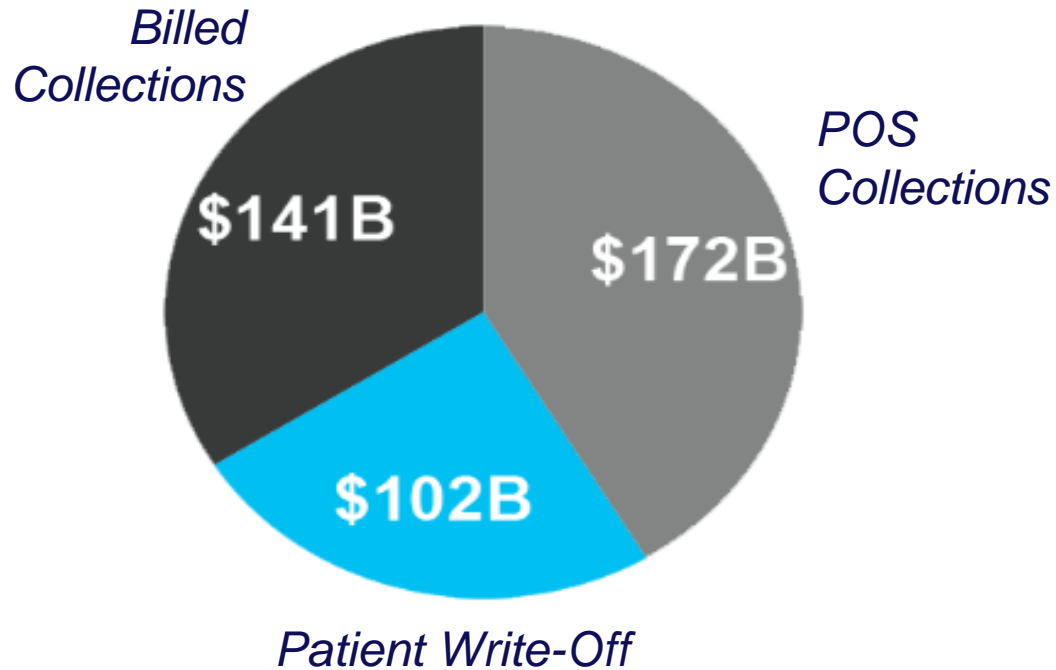
There is a strong desire to improve the patient experience...Even after they leave the clinical setting

Source: Citi analysis, based on 2011 data from the U.S. Dept. of Health & Human Services and Center for Medicare & Medicaid Services.

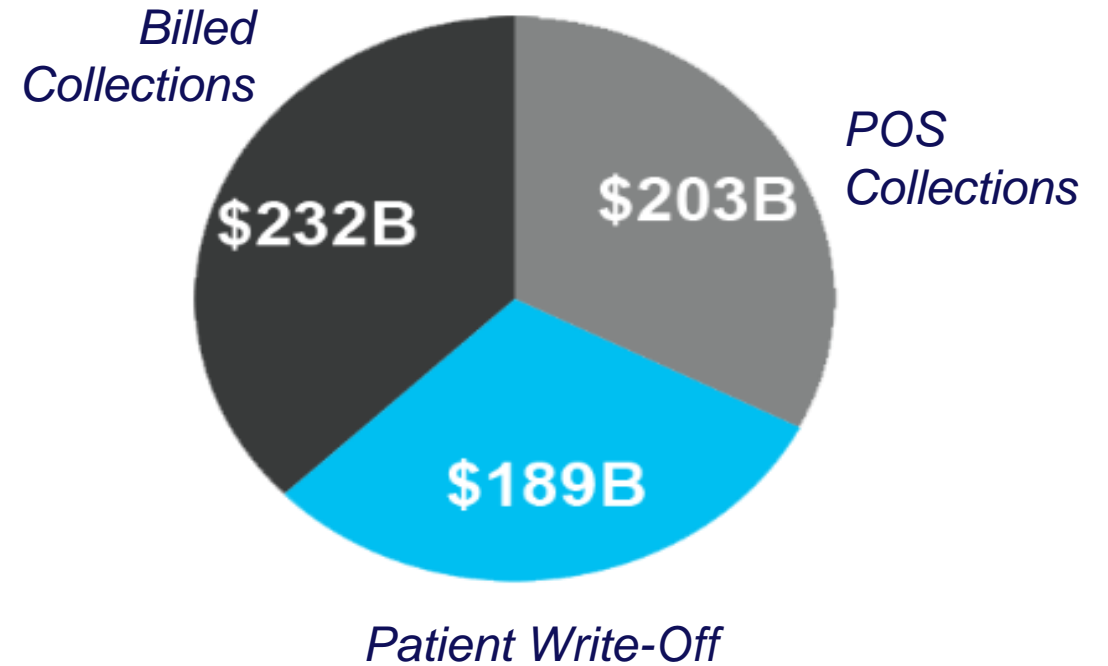
CHANGE
HEALTHCARE

Financial impact for providers

In 2011, patient non-POS write-offs totaled \$102 billion



By 2019, patient non-POS write-offs are estimated to exceed \$189 billion



Industry Consensus: RCM needs re-invention and needs to be driven from a patient-centric view

HEALTHCARE FINANCE NEWS
 News Blog White Papers Webinars Jobs Videos More

Capital Finance Budgeting Quality and Safety Claims Processing ICD-10 Billing and Collections Reimbursement

Prudential PRUDENTIAL RETIREMENT **WHAT'S THE PROGNOSIS FOR YOUR RETIREMENT?**

HIMSS transforming health the way we live
 Home > Resource Library > Patient Financial Experience

Stephanie Bouchard, Managing Editor
 Stephanie is the Managing Editor for *Healthcare Finance News*. Follow Stephanie on Twitter @SBouchardME.

CFOs say RCM systems need attention
 Black Book survey offers hospital financial managers' perspectives on administrative needs
 LAS VEGAS | June 10, 2014

While the revenue cycle management system has been focused on clinicals, chief financial officers are saying hospitals' financial information systems are more important.

86 percent of hospital respondents said the 'needs' of CFOs are currently more important than most clinical and patient quality 'wants'

Patient Financial Experience of the Future
 Introduction
 As patients become more financially invested in their healthcare choices they are demanding greater predictability and flexibility in their healthcare financial experience. Tune-ups and incremental bolt-on solutions to existing hardware are no longer sufficient to meet this demand.

The HIMSS Revenue Cycle Improvement Task Force created this infographic to illustrate our vision for the Patient Financial Experience, focused on tools and processes that keep patients at the center, regardless of the reimbursement model. To learn more about the Task Force and its work, please read our white paper.

One of the key assumptions made in this infographic is that financial transactions between patients and their providers may become a thing of the past. The infographic allows for the possibility that a third party may take responsibility for managing all financial transactions related to healthcare encounters behind the scenes and allow the patient and provider to focus on their clinical relationship, with money being discussed only as it pertains to a patient's ability or willingness to pay for a particular treatment option.

HIMSS creates revenue cycle task force to commit to 3-5 year vision building to establish an industry roadmap to the Patient Financial Experience of the Future

TC News TCTV Events

Consumer Will Be King In Healthcare
 by Joe Riley

the healthcare investment firm Psilos, investors in the boards of directors of Cornerstone and HealthEdge Software.

...this is especially true in the case of the latter known as Obamacare, is here to stay but to dramatically revise their 50-year old sponsored group products and focus on the going forward.

aren't well-liked by consumers. In Forrester's 2013 study, health insurers earned a rating of "poor," which was lower than most. So what should they do? It is a paradox, but they should start behaving like auto insurers do now.



"I expect to see heavy emphasis on technology solutions in the following areas:"

- "...payment software that drives administrative cost savings ...promoting easily understood claims payments for consumers."
- "...Software that enables 24/7 customer service that is accessible via multiple platforms..."

Innovation

HEALTH PLAN PERSPECTIVE

Current consumer payment issues



- Have I gotten the bill yet for this claim?
- Paying health care bills is, quite frankly, at the bottom of my to-do list.
- What is this bill for? Does this match what Aetna shows?
- I am sick of calling or writing checks to so many providers.

Can someone please make this easier?!

CHANGE
HEALTHCARE

The #1 solution that consumers want and expect from Aetna is to help them achieve “stress-free payments”



\$350B
size of healthcare consumer payments market

- A ‘no surprises’ payment process
- Help understanding expected costs pre-care
- Digital, easy pay methods for billing
- Easy issue resolution post-care

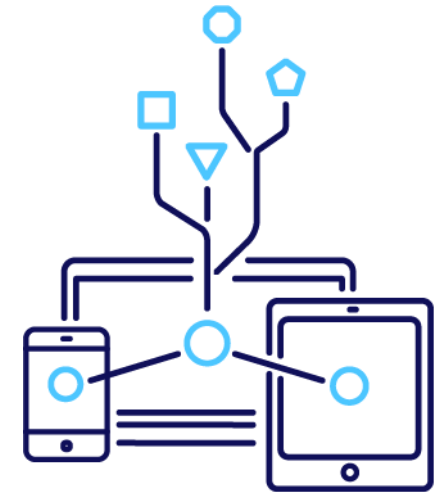
Source: Innosight consumer research completed for Aetna (May 2014). Of the five concepts tested, the most universally appealing concept revolved around addressing a simplified healthcare payment process

Findings: keys to engaging healthcare financial communications

Consumers stick to habits & trust what they understand



- Simple and understandable – simple language and avoid information overload
- Discounts are nice, but consumers question the **“real” charge**
- Create a **consolidated view** of charges from all parties—by episode, not encounter
- **Frictionless payment** with easy access to accounts – HSA, FSA, bank, credit, or debit
- Let the consumer know **where to get help** – where to go and whom to call



Source: Projekt202, Change Healthcare

CHANGE
HEALTHCARE

Opportunities exist to improve both the patient's experience and the provider's bottom line

Increased member responsibility

- Patient responsibility has grown from an average of 12% in 2007 to 30% in 2012. This is a percent of total provider revenues¹



Providers' difficulty in collecting

- \$101.4B in uncollected revenue in 2013²
- Average patient bad debt is 4%-6%² of total revenues
- 13% of providers say that higher copays and coinsurance are their most pressing issues³



Complex payment process

- Patients cite confusion or inconvenience for not paying bills more than for financial reasons⁴
- No real incentives exist to motivate Patients to pay more timely



Advances in technology

- More than 50% of patients are interested in an online payment solution for health care bills⁵

¹ 2007 & 2010: the "Retailish" Future of Patient Collections, Celent, Feb. 2009, <http://reports.celent.com>

² Department of Health and Human Services, CMS, Office of the Actuary; National Health Expenditure Data Projections, 2010 and Fifth Third Analysis

³ "Recession boosting bad debt at Healthcare Organizations," Healthcare Finance News, May 11, 2010

⁴ McKinsey Quarterly, May 2010

⁵ Communispace, December 2011

Original Aetna Solution – M²H – Launched in 2013



Market Feedback:

- American Banker Top Innovator 2013
- Edison Award Finalist 2014
- American Banker Award 2014

Consumer Feedback:

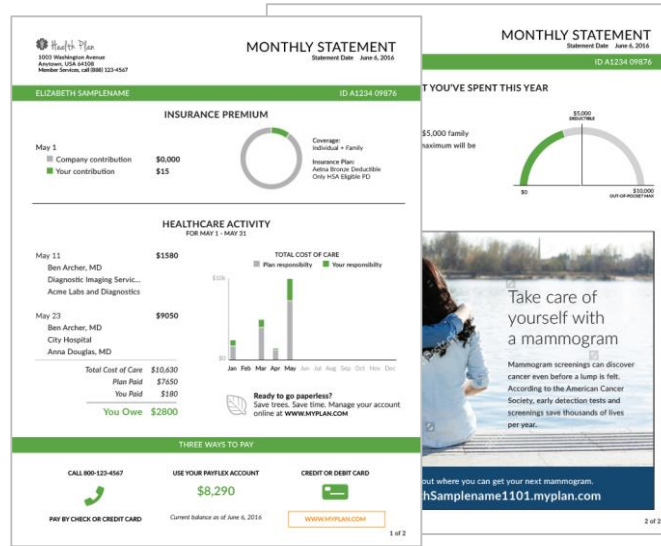
- Adopted by 25% of those aware of the solution for payments to providers
- Heavy repeat users
- Reduced member support calls

Next Generation Solution for Aetna Members

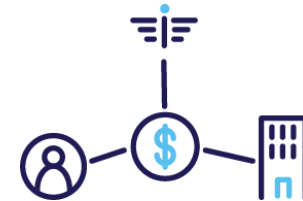
A unified financial statement leverages financial touchpoints and personalized communications to drive member engagement



Print | Mail | Email | Text | Push



Unified financial and payment summary



Lockbox | Call Center | Voice | Pay

What successful financial engagement looks like...

...Winning³ (cubed)

Win for Consumers: Simple, easy to understand bills and ways to pay, less frustration, reduced transactional friction

Win for Providers: Reduce bad debt, lower costs to collect, and increase overall collections and speed

Win for Payers: Increase the strength of relationships with members and providers, help providers collect more of what they're owed

Q&A / speaker contact

Jack Gehrke

Head of Consumer Digital Payments

Payflex / Aetna Consumer Health Solutions

GehrkeJ@aetna.com

Stuart Hanson

SVP & GM, Consumer Payments

Change Healthcare

StHanson@changehealthcare.com

CHANGE HEALTHCARE