Patients are today's new payers. How are you handling this change?

Tuesday, July 26th, 2016 | 12:00pm - 1:00pm CDT
Today’s agenda:

Market Overview:
• Industry trends
• Market challenges

Patient Experience:
• Consumerism
• Medical debt
• Collections behaviors

Best Practices:
• Strategies
• Workflows
Market Trends

Cost shifting and rising deductibles
If food costs increased at the same rate as healthcare costs…

Source: NHE 1945:2011
Distribution of health plan enrollment for covered workers by plan type 1988 - 2014

Deductibles are out of control and rising fast...

- Deductibles more than doubled in last 10 years
- Average deductible
  - 2003 = $518
  - 2013 = $1,273
  - 2% vs 5% median income
- Percent of workers with deductibles:
  - 2003 = 52%
  - 2013 = 81%
ACA exchange plan deductibles are resulting in more funding gaps for patients

**Bronze** plans have a $5400 deductible

**Silver** plans have a $3500 deductible

**Gold** and **platinum** plans have $1400 and $400 deductibles respectively

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**Average Medical Deductible, in Plans with Separate Medical and Prescription Drug Deductibles**

Among Federally Facilitated and Partnership Marketplaces in 2015

![Graph showing average medical deductibles for Bronze, Silver, Gold, and Platinum plans.](https://www.healthcare.gov/health-plan-information-2015/)

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SOURCE: Kaiser Family Foundation analysis of Marketplace plans in the 37 states with Federally Facilitated or Partnership exchanges in 2015 (including New Mexico, Oregon, and Nevada). Data are from Healthcare.gov Health plan information for individuals and families available here: [https://www.healthcare.gov/health-plan-information-2015/](https://www.healthcare.gov/health-plan-information-2015/)
Health insurance premiums paid by employers and employees are growing

Premiums for employer and employee almost tripled in 10 years

Underinsured, defined….

- Out-of-pocket costs, excluding premiums, over the prior 12 months are equal to 10 percent or more of household income.
- Out-of-pocket costs, excluding premiums, are equal to 5 percent or more of household income if income is under 200 percent of the federal poverty level.
- Average deductible is 5 percent or more of household income.

Commonwealth Fund – The problem of underinsurance and how rising deductibles make it worse.
What about the patient?

Consumerism, medical debt and patient payment behaviors
Medical debt…it’s a real problem

- A recent report issued by the consumer financial protection bureau (CFPB) finds that medical debts account for a majority (52%) of debt collections actions that appear on consumer credit reports.

- An earlier Kaiser family foundation report found that 1 in 3 Americans struggle to pay medical bills, and that 70% who do so are insured.

- Unpaid medical bills are the highest cause of bankruptcy filings, above both credit card and mortgage debt.

- Once in debt, people may delay or forego other needed care to avoid incurring further unaffordable medical bills.
"Cost sharing levels under many health plans now exceed the resources that most families have on hand…the Federal Reserve found that only 48 percent of Americans would be able to completely cover a hypothetical emergency expense costing $400 without selling something or borrowing money."
Kaiser Family Foundation tracking poll

“42 percent [of patients] find it difficult to afford health care, just above expenses like utilities (38 percent), housing (35 percent), food (31 percent) and transportation costs (30 percent). [this] difficult time [in] affording health care increases greatly among the uninsured and those with lower incomes.”

POLL QUESTION #1

At one point in the revenue cycle are patients payments primarily being evaluated at your organization?

A. Scheduling / Pre-Access / Pre-registration
B. Registration
C. Pre-Bill/Early Out
D. Post Bill / Collections
E. Multiples of above
F. None of the above
G. Not sure
Impacts to the revenue cycle

Cash deceleration and rising collection costs to offset bad debt
The patient experience…
What’s up doc?....

“Providers may be unfamiliar with a patient’s insurance ... complicating efforts to discuss out-of-pocket expenses on a granular level. Moreover, providers are often unaware of how much medical interventions cost...These barriers are made worse by the short amount of time a clinician is able to spend on any given visit, not to mention the expressed discomfort physicians have raising cost of care with patients for fear of seeming inappropriate or losing trust.”

Average collection rates drop rapidly with time

Source: Medical Group Management Association, MGMA
Shift in payment:

- Providers must focus collection efforts on both insurance companies and consumers
- Consumers now pay more for healthcare costs than their employer
- Consumers shoulder more of the up front cost to pay for their healthcare

SOURCE: JPM Key trends in healthcare patient payments
Moody’s…

- "Today's high deductibles are tomorrow's bad debt," says Moody's Steingart.
- Moody’s has identified risk that consumers covered by the most popular insurance plans will be unable or unwilling to meet their out of pocket costs and deductibles.
- Growth in insurance coverage may not exist for many hospitals, particularly for services where the deductible accounts for a substantial share of the negotiated reimbursement.

SOURCE: Moody’s: Three risks reduce credit positives of ACA for not-for-profits hospitals. March 2014
As patient payments increase a percentage of net patient revenue, the ability to optimize patient collections and drive payments earlier in the process, will take on even greater importance.

Consumers don’t (or can’t) pay like an insurance carrier

“Ideally, the high-deductible, or consumer-directed, plans would lead to consumers making smarter choices, opting to visit their physician instead of going to the emergency room for minor ailments. However, research shows that while shifting more responsibility onto consumers works out well for employers, it can lead to financial troubles for consumers and for hospitals when patients who don't understand their plans end up facing a bill they can't pay.”

“Very rarely do patients understand deductibles, and co-pays and co-insurance,” said Ashley Santoro, practice manager for Cardiovascular Disease Specialists of Pittsburgh, a three-physician group with offices in Shadyside and Jefferson Hills. “If we bill an insurer, we would be reimbursed in seven to 10 days. If a patient gets a bill for $600, you’re lucky if you can get paid $25 a month.”

And collecting patient payments adds cost to the hospitals

“Moreover, costs are likely to be significantly higher when collecting from individual patients on a per-transaction basis than when collecting from payers (as much as three times higher)”

“On average, healthcare consumers pay more than twice as slowly as commercial payers.”

SOURCE: McKinsey - Hospital revenue cycle operations: Opportunities created by the ACA. May 2013.
Costs to collect increases over time

As receivables devalue over time the cost to collect increases.

Which of the following area will your organization focus on in the coming months?

A. Propensity to pay

B. Financial Assistance (Presumptive FPL/Charity Coupling)

C. Patient Procedure Estimation

D. Two of the above (A and B, or B and C)

E. All of the above

F. None of the above
What can change?

Patient engagement and industry best practices
High deductible = hospital bad debt

"According to the American Hospital Association, hospital owners such as Dallas-based Tenet Healthcare Corp. have reported more bad debt tied to patients with high-deductible insurance coverage. "We're hearing from our members that the number of patients who are unable to pay their bills resulting in bad debts for hospitals because of these plans is increasing," says Caroline Steinberg, AHA's vice president of health trends analysis. "Hospitals tell us around a quarter of bad debt comes from patients who are actually insured."

McKinsey quarterly survey

• 52% of consumers would pay from $200 to $500 or more up front...if an estimate was provided at the point of care

• 74% of insured consumers indicated that they are both able and willing to pay their out-of-pocket medical expenses up to $1,000 per year... (90% up to $500/yr.)

SOURCE: JPM Key trends in healthcare patient payments
Why are pre-service estimates a good idea?

Per a 2015 GE Healthcare whitepaper…

- Preservice estimates improve denial rates and patient satisfaction
- Patients who are well-informed of their financial responsibility are MORE likely to pay at point of service
- Capturing patient payments prior to or at the point of service is a key success factor
- Offset uncompensated care

GE Healthcare: “Maximizing Point of Service Collections: Improve Health System Financial Performance” White Paper 2015
Why are pre-service estimates a good idea?

Becker’s:

• “It’s more important than ever for hospitals to maintain a steady stream of income…”

• “In an era of high-deductible plans, price estimation can be a critical pre-cursor to patient collections…”

• “As more time passes after care is delivered, a patient's propensity to pay decreases substantially…”

Beckers: 10 thoughts on improving hospital collections. Murphy, Brooke. January 6, 2016
Components of a successful POS collection program:

1. Metrics (data)
2. Executive-level support
3. Active participation at all levels
4. Policy, procedure, protocol and scope
5. Patient education
POS collections

Best practices of top-performing facilities:

• Adopt guiding principles and communicate the message

• Set the expectations, and establish accountability

• Update the mission, job descriptions, policies, and procedures

• Couple patients with the best funding mechanism available (ideally in advance of services)

  “Best” could be charity care

Capitalize on all contact opportunities

- Pre-Payment LOC/CCI
- Pre-Discharge / Check out
- Scheduling
- Registration
- Pre-Registration
Checklists/Gates:

- Insured / Self Pay
- 270/271 EMR
- 3rd party

- Benefits
- Auth / Referral / Notification
- Med nec

- Matrix
- Estimator
- P2P
- FPL

- Preservice
- POS
- Payment Plans
- Loans/Credit

Eligibility  ✔️
Verification  ❌
Estimation  ✔️
Collection  ✔️

Proceed / document
Stop / escalate
Proactively educate your patients...

- AHA recommends educating the patient population, something [some] hospitals are already doing
- Work with the patients up front to understand their financial obligations and develop strategies to help patients pay their bills over time

Employers have a role too…

- Employers can ease the burden on healthcare providers by making sure their workers understand their benefits before they even show up at the hospital

- "The education should be occurring when the person signs up for the plan, not when they show up for services," - Steinberg, AHA

- "You can't just slap on a high-deductible plan.... You have to surround it with a strong enough support system to teach people how they can be good consumers and provide other incentives for them to maintain their health." - Fioretti, HNI

POS collections best practices

SHARP HealthCare (San Diego, CA) …

• A patient’s propensity to pay decreases as the deductible size increases," says Gerilynn Sevenikar, vice president of patient financial services.

• According to the hospital’s data, if a patient owes $500 or less, there is a 68% chance of collecting, but this number drops to 36% if the balance is $5,000 to $6,000.

• "This tells the hospital recovery story for our high out-of-pocket patient," says Sevenikar. "Our experience has been that patients that have the capacity to pay, will pay, if they feel like the conditions are fair."

Source: AHC Media. “Tools allow registration staff to collect deductibles in addition to collecting copays"
Across the country, hospitals who have implemented POS collections will assert that the benefits of POS collection far outweigh the difficulties of implementing the processes. By implementing the proper technologies, policies and training to support POS collection, hospitals and health systems in the near future will be more proficient realizing improved and timely collection from a growing population of self-pay patients.

POLL QUESTION #3

Are you segmenting your A/R into payment classes based off propensity to pay, charity, credit, or other methods?

A. YES
B. NO
C. NOT SURE
Industry best practices

Stratify your patients:

1. Patients that will pay automatically;
2. Patients that are willing to pay but need help and financial options;
3. Patients that will never pay - they never planned on it or can’t/won’t do it

#2 & #3 require focus:

- Transparent communication, education-beneficial for patients
- If services elective – should it be postponed?
- Pay before services rendered
- Payment arrangements; offer discounts

Often, providers also are calculating a propensity to pay score whether the patient is insured or not using a variety of data sources to:

- Determine a patient’s propensity to pay
- Give insight into payment options
- Determine if a patient is a candidate for payment plans or charity care

Source: Rybar Group: Birkenshaw, Claudia, MSA “Pre-service and POS Collections. Why it’s important & what we do” 2014; JPM Key trends in healthcare patient payments
Rapidly determine…

Identity verification
• Prevent fraud
• Reduce reject mail

Presumptive charity
• Balance your bad debt portfolio
• Re-class as charity

Propensity to pay
• Prioritize high balance accounts
• Increase your POS collections and cash flow
• Help patients truly in need and collect from those who can pay
### Pre-access screening helps you segment accounts into the appropriate workflows

<table>
<thead>
<tr>
<th>FPL &lt; 400% with no insurance</th>
<th>Strong ability to pay with nominal copay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential charity care or Medicaid</td>
<td>Collect payment at time of service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Identity warnings</th>
<th>Borderline ability to pay with large deductible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential fraud investigate further</td>
<td>Consider for financing solutions</td>
</tr>
</tbody>
</table>

*Pre-access screening may require prior patient consent*
Best practices for “financial clearance”

Patient Friendly Billing Project

- Charge master/pricing strategy clearly defined
- Insurance eligibility checking
- Verification of patient insurance benefit levels
- Precertification
- Medical necessity checking
- Referral authorizations
- Identification and communication of each patient’s out-of-pocket obligation (copayment and deductibles)
- Financial counseling, including payment plans and alternate payment arrangements
- Special handling” accounts (package pricing)

www.hfma.org/patientfriendlybilling
Deployment considerations

- Saying nothing creates confusion - let patients know exactly what to expect, they are more likely to plan ahead and be ready to pay
- Integrate the process of patient payments into your daily workflow
- Clearly communicate the payment policy at all encounters
- Ask! Collect on patient payments, such as co-pays and deductibles, every time
- Require clinicians to remind patients to speak with the front desk staff about payments

Organizational strategies

- For patients with the ability to pay, explain the amounts that are due in advance, and collect the estimated financial obligation in advance or at the time of nonemergency services.

- In addition to establishing payment terms early in the patient encounter, also offer payment arrangements or financial assistance if you become aware that the patient needs assistance.

- Approaches to payment arrangements may include requiring a minimum monthly payment and a maximum length of time to pay, establishing payroll deduction programs, and referring patients to external financing sources, among other arrangements.

- Tailor pre-service collection and financial counseling practices to the patient’s specific type of benefit plan. For example, design processes to accept automatic payments from health savings account or health reimbursement arrangement debit cards.

- Develop specific and fair discount policies for uninsured patients.

www.hfma.org/patientfriendlybilling
Guiding principles

• Needs of patients come first
• Access to services are not denied based on the consumer’s ability to pay
• Consumers who have the ability to pay for health services do pay
• Healthcare providers receive reliable, fair, and timely payment for services provided
• Information should be coordinated when obtaining, and easily understood when communicating
• High-deductible health plan cost sharing processes do not add to the complexity and cost of healthcare administration

www.hfma.org/patientfriendlybilling
“With effective programs in place, and the technological tools and training to deliver top-notch customer service, Healthcare Organizations in the vanguard of POS collection are finding patients to be not resentful but grateful”

- Healthcare Financial Management, Sept, 2007 by Margie Souza, Brent McCarty
Gift: POS Collections Toolkit

What’s inside:

- 6 keys to creating a POS collections culture
- 5 tips to improve your POS collections
- Best practice revenue cycle KPIs
- 3 sample POS collection workflows
- Best practice revenue cycle workflow
- High-balance self-pay financial clearance workflow
TransUnion Healthcare Solutions

Patient access:
- Identity Verification
- Insurance Eligibility
- Patient Payment Estimation

Financial navigation:
- Financial Aid
- Propensity to Pay

Revenue recovery—eScan
insurance discovery:
- Medicaid Billable
- Medicare Billable
- Commercial Billable
- TRICARE Billable
- Coordination of Benefits

Revenue recovery—reimbursement reports:
- IME/GME and HIC Validation
- Medicare Dual Eligibility Logs
- Transfer DRG
- DSH Days Report
POLL QUESTION #4

Would you like to receive a copy of our POS Toolkit

A. Yes, please send it to me

B. Not at this time
Questions??
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