



Collecting More Patient Payments: *A Guide to Best Practices*



It wasn't very long ago, as recently as the beginning of this decade, that healthcare providers received the majority of their reimbursements from private insurers or government programs such as Medicare. This fee-for-service model reliably paid providers a set percentage of the total billed and, other than a per-visit copayment, largely left patients out of the payment equation. Providers could count on a steady stream of receivables that allowed their business staff to estimate the practice's anticipated revenue and account for the occasional write-off for uncollected fees.

INTRODUCTION

Those days are gone, probably for good. There have been changes in the past few years that have resulted in a dramatic increase in patient responsibility for payments – and that increase is expected to continue. For example:

- Fourteen states that offer health insurance exchanges through the Affordable Care Act have requested double-digit increases in patient premium charges for 2017.¹
- A task force set up by the U.S. Department of Health & Human Services – including several major private health insurers – has pledged to transition 75 percent of its reimbursements to healthcare providers from fee-for-service to value-based care (VBC) by 2020²
- The percentage of patients enrolled in an employer-sponsored high-deductible health plan (HDHP) – with a deductible of more than \$1,000 for single coverage and \$2,000 for family coverage – increased 500 percent between 2004 and 2014³; see illustration below.

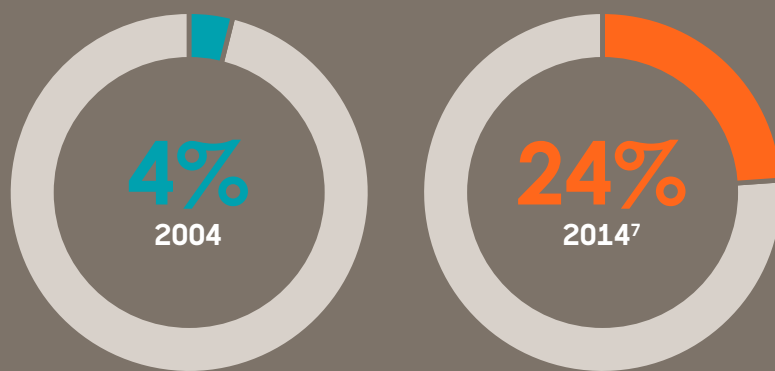
Clearly, patient payment responsibility will continue to rise in the coming years. How does this impact healthcare providers? Consider these numbers:

- Physicians collect only \$15.77 out of every \$100 owed once patient accounts are sent to collections.⁴
- According to one survey, in 2012, \$100 million in patient-owed balances went uncollected.⁵
- Collecting patient due balances is one of the top 10 pain points for 96 percent of practitioners surveyed.⁶

Every healthcare practice, whether a single provider or multi-office group, needs to re-evaluate its strategies for collecting patient payments – and needs to do this sooner than later.

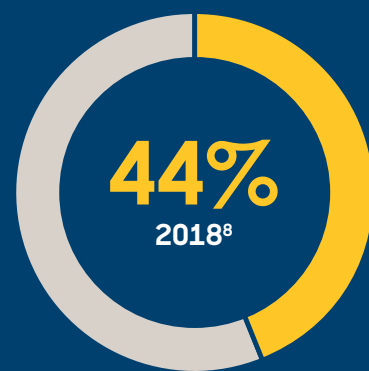
HDHP ENROLLMENT

The number of people enrolled in high-deductible health plans is on the rise:



Rising Now ...

HDHP enrollment rose by 500% between 2004 and 2014



Rising Later ...

44% of employers are expected to offer only HDHP plans by 2018



A Culture Shift: The Key to Success

There are a number of strategies a healthcare practice can take to increase patient receivables, and they will be discussed later in this paper. However, for any of these strategies to be successful, providers and their staff members must understand one thing:

Your practice is a business.

The profitability of your practice over the next five to 10 years may well depend on the ability of everyone on your staff – from the senior physician partner to the receptionist and everyone in between – to understand those five words and incorporate them into every aspect of their work.

There are few, if any, healthcare professionals who ever said, "I want to go into healthcare so I can spend my days thinking about money." The well-being of your patients is always, and must be, the most important part of your practice. Yet the trend toward expanded patient payment responsibility means that healthcare providers need to look at what they do with a different perspective. At its core, a healthcare practice is in the business of providing patient care – and going forward, providers must take on a mindset that increases the focus on the word "business."

Everyone in the practice will need to make this "culture shift" to a more business-oriented mindset – and, as will be clear from the information that follows, this is particularly true for the office staff, who tend to have both the first and last contact with patients during the office visit. Both providers and staff members will need to be educated about the importance of revenue cycle management and how the collection of unpaid balances contributes to their own financial well-being. In other professions, the business's bottom line is always discussed and workers in the position to generate revenue are always aware of their role. Now it is necessary for healthcare practices to incorporate this type of thinking into their day-to-day activities.

One survey found that nearly half [of patients] did not understand their medical costs and were more likely to judge the providers more negatively because of it.



Best Practices

Fortunately, there are a number of steps healthcare providers can take to create an atmosphere in which collecting payments becomes a normal part of the provider-patient relationship. Some of these are relatively easy and involve minimal time and expense; others may require investments that will pay off over the long term.

TRAIN AND EDUCATE YOUR WHOLE STAFF ABOUT THE IMPORTANCE OF PAYMENTS.

The key to educating everyone in the practice – and again, the education and training must include the providers – is to emphasize courtesy and professionalism. It is likely that some will be uncomfortable with the idea of intruding on the patient care experience to discuss money, and others may feel that they are being asked to “muscle” the patients with outstanding balances. This seemingly adversarial relationship can be easily transformed into more of a collaboration between provider/practice and patient simply by telling the patient that their next step is to set up a card account on file. Your practice management system partner or payment processing provider may offer assistance with training and education for the practice.

The longer a patient debt goes uncollected, the less likely it is that the provider will actually collect the outstanding payment.

ACCEPT MULTIPLE FORMS OF PAYMENT.

Seventy percent of U.S. consumers use at least three different methods to pay their monthly bills.⁹ Cash, credit cards, debit cards, checks, electronic transfers – your patients are used to having a multitude of choices to make payments and they expect the same convenience from their healthcare providers. While there are some associated fees with credit and debit cards and electronic checks, most practices will more than make up for them in the additional payments collected. It’s important to keep in mind that the more ways a patient has to pay, the more likely he or she is to do so.

ANYTIME, ANYWHERE PATIENT PAYMENT



POSITIVE IMPACT OF KEEPING PATIENT PAYMENT ACCOUNTS ON FILE¹⁰



44% increase in card transactions



40% decrease in attrition rate



33% increase in average monthly sales

TAKE ADVANTAGE OF PAYMENT TECHNOLOGIES.

Most practice management system software includes payment functionality that can be turned on with a few clicks. This functionality gives practices the ability to make it easier for patients to pay and easier for providers to collect:

- Acceptance of multiple forms of payment
- Electronic statements and payment reminders sent to patient via email
- Calculation and collection of post-adjudicated balances
- Flexible or scheduled automatic payments deducted from patient's credit card

Providers will need to set up a "card on file" program with their patients, which will require patients to give written permission to have payments deducted from their credit card accounts. Your practice management system partner may already have HIPAA-approved forms available for this purpose.

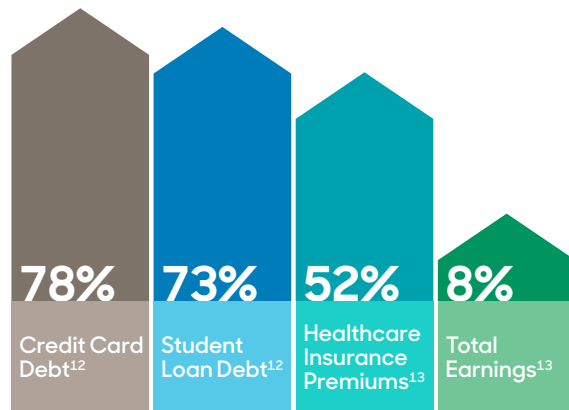
COLLECT PAYMENTS WHILE THE PATIENT IS STILL IN THE OFFICE.

Multiple studies have shown that the longer a patient debt goes uncollected, the less likely it is that the provider will actually collect the outstanding payment. As demonstrated by the illustration to the right, U.S. consumer wages are not keeping up with their rising debt. This, combined with the increase in patient payment responsibility, may create a situation where

patients are simply unable to pay their providers. By collecting at least part of the anticipated payment owed or an existing payment balance before the patient leaves the office, providers can reduce the amount of uncollected payments.

The simplest way to do this is to collect the co-pay when the patient signs in, then before the patient leaves after his/her visit with the provider, direct him/her to another staff member who will have the financial conversation with the patient. A few moments on the insurer's website will let your staff member give the patient an estimate of what will be owed, and then the patient can arrange to make full or scheduled/recurring payments. Some practices have designated staff members for this job and are even offering them financial incentives such as commissions for collected payments.¹¹

U.S. CONSUMER ECONOMIC SNAPSHOT (2011-2015)



IMPROVE COMMUNICATIONS WITH PATIENTS.

Today's patients are demanding information, particularly when it comes to billing practices and healthcare costs. One survey found that nearly half did not understand their medical costs and were likely to judge the providers more negatively because of it.¹⁴ Patient satisfaction will become more important as value-based care becomes more prevalent. Insurers are already sending post-visit surveys to their members, asking them to rate their providers, and these ratings may be factored into the insurers' measure of value. Additionally, a satisfied patient is more likely to stay with the practice, which offers additional opportunities to collect outstanding payments. The payment technologies discussed earlier afford providers the ability to send regular communications and reminders to patients regarding payments, but providers may also want to consider value-added services such as regular emails with general health information. Fewer than half of providers use email or text to communicate with their patients, even as patients say they want or expect this availability.¹⁵

The trend toward expanded patient payment responsibility means that healthcare providers need to look at what they do with a different perspective.

In the past, healthcare providers and insurers were the key players in provider reimbursements; it was a business-to-business relationship that did not involve the patient to any great degree. Going forward, providers will need to think of reimbursement with a more business-to-consumer orientation. The practice is a business and the patient is a customer. The collection of patient payments will now need to be directed far more toward that customer, and all healthcare practices will need to adopt strategies that reflect this “new normal.” Whatever strategies you decide to adopt, it is key to always remember that you are taking positive action to keep your practice in good financial health, ready to provide your patients the care they deserve.



Sources

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- 4,6 **"Modernizing Patient Payment Collection"**; Colorado Medical Society, June 13, 2016.
- 5 **"Increasing Patient Collections: A Study on Patient A/R"**; Greenway Health, October 30, 2013.
- 8 **"Medical Cost Trends"**; PwC Health Research Institute, June 2014.
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- 12 **U.S. Federal Reserve Board G.19 Statistical Release**; August 2015.
- 13 **"Employer Family Health Premiums Rise 4 Percent to \$17,545 in 2015, Extending a Decade-Long Trend of Relatively Moderate Increases"**; Kaiser Family Foundation (*kff.org*), September 22, 2015.
- 14 **"Money Matters: Billing and Payment for a New Health Economy"**; PricewaterhouseCoopers Health Research Institute Study, May 2015.
- 15 **"Better Together: High Tech and High Touch"**; Council of Accountable Physician Practices Presentation, November 5, 2015.

Note: The information presented in this paper is not intended as a substitute for financial services and/or legal counsel. Providers should continue to seek the advice of their financial services and/or legal counsel regarding matters of payment and collections.

To learn more:

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