



Healthcare Commerce as a User-Friendly Experience



The Shape of All Payments

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Healthcare Commerce as a User-Friendly Experience

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Technological advancements occur with such frequency that it's challenging to stay on top — or ahead — of the Next Big Thing, but successful businesses need to focus attention on advancements that make internal processes easier and more efficient.

Highly successful businesses take it one step further and implement solutions that also make their customers' lives easier. Some technologies address both solutions simultaneously, resulting in a win-win for everyone. One such technology is automated payment processing systems. Industries such as restaurants, retail, salons and even museums have all embraced point of sale payment systems, and online retail giants have made it possible for consumers to find what they need and complete transactions in just a few clicks. Yet, healthcare has been slow to adopt this technology. Why is healthcare commerce so far behind?

The lag in the healthcare industry's interest in adoption of payment technology is surprising given the fact that it has readily embraced other medical and scientific advancements in the care and treatment of patients including robotic surgery, bionic limbs, remote monitoring and sensor technology. Moreover, over the past 30 years, billions of dollars have been spent to digitize healthcare and make electronic health records the norm, but the climate still feels circa 1980 with dusty basement servers, fax machines and paper billing still being used. When considering companies whose business models run on recurring or card-on-file payments — Netflix, Uber, and Airbnb among them — paper-based billing is somewhat analogous to the (obsolete) VCR and floppy disk.

Hospitals in particular, which historically have adhered to the “bill me later” approach, lose significant revenue due to outdated patient billing and payment processes. Each year, this results in hospitals having to collect billions of dollars from patients post-care. Billing patients

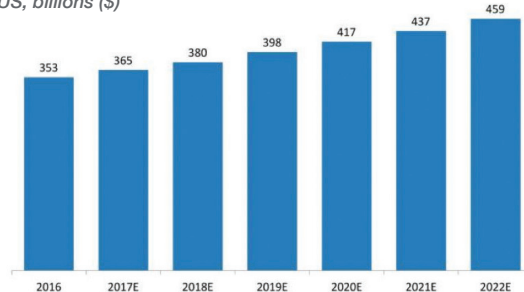
weeks or months after they leave the hospital, when in many cases they are focusing on recovery, is not the best option for either party. Patients understand the value of the services they receive, and studies show that they are willing to pay, but they generally seek more convenient ways to do so, including payment plan options and recurring payments, which begs the question of how technology might be used to make this process easier.

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Studies show that nearly 75% of insured consumers are willing to pay up to \$1,000 in out-of-pocket medical expenses each year and 25% would be willing to pay bills up to \$200 at the point of service if they have been given a good faith estimate in advance of the service. Hospitals must be more focused on satisfying the modern patient by not only providing excellent care, but also by offering efficient and user-friendly payment options.

Advancements in the healthcare industry over the last fifteen years have opened the door for consumer willingness to change the way they pay, and the need for healthcare providers to adjust since payments increasingly are coming directly from the consumer. As healthcare expenses have increased, employers and individuals have begun opting for higher deductible plans. According to the National Center for Health Statistics, the percentage of individuals under the age of 65 on private insurance with high deductible plans rose from 39.4% in 2016 to 43.2% in the first 9 months of 2017. This rise in high deductible plans has translated into increased out-of-pocket costs for consumers. In fact, out-of-pocket spend reached \$365 billion in 2017 representing a 3.6% increase from 2016, and currently, 11% percent of medical billing is paid out-of-pocket.

National Out-Of-Pocket Health Expenditures
US, billions (\$)



Source: Centers for Medicare & Medicaid Services, Office of the Actuary

Intelligence.businessinsider.com. (2018). BI Intelligence. [online] Available at: <https://intelligence.businessinsider.com/post/healthcare-payments-report-how-payments-companies-can-take-advantage-of-a-trillion-dollar-processing-opportunity-2018-2> [Accessed 22 Jun. 2018].

As patients increasingly become more directly responsible for their healthcare expenses, they have begun to expect a more retail-like experience where speed and convenience are givens. The rise of HSAs has also contributed to this culture of the new medical consumer. For those enrolled in HSAs, the concept of paying co-pays and other expenses at time of service with an HSA debit card is not new and enrollment in HSA-eligible health plans is on the rise. In 2016, enrollment was estimated to be between 20.2 and 23.6 million. With this shift toward plans that put consumers more in the proverbial driver's seat, it's important for U.S. healthcare providers to consider digital billing methods already currently being used seamlessly in other industries.

Examples of such methods include:

- **Mobile Point-of-Care:** Mobile is the primary vehicle for sourcing information as quickly as possible. Bringing the payment process to this platform allows greater flexibility and speed for both patient and doctor. Examples of this include Apple Pay®, Samsung Pay®, etc.
- **Text-to-pay:** Another means for mobile, SMS text messages have a 98% open rate and allow patients a simple one-click pay option.
- **Online patient portals:** This option offers user-friendly, private patient profiles. ore practices and hospitals will likely adopt this method, with goals to

Increase patient engagement and customer service, and, as a result, the chance of prompt payment.

- **Recurring payment/payment plan systems:** Automatic payment has already been integrated by many providers with proven results, and it's likely this model will grow.

Patients are eager to exact more control over where they pay, how they pay and when they pay, just as they are able to do in myriad daily spending situations. In an era of Amazon-like purchasing, paper billing and payment by check seems outdated.

In addition to convenience for patients, updating healthcare payment processes is beneficial for providers, practices and hospitals. Offering patients ease-of-access to their medical billing ultimately increases Revenue Cycle Management (RCM), and an annual savings in overall administrative costs alone could amount to \$9.4 billion, according to a CAQH Index report cited by the American Journal of Managed Care. This is logical cost savings, considering healthcare providers send out an average of three statements to be paid for one, and the average cost of paper billing a patient is between \$7 and \$9 per bill in administrative time, postage and supplies. In the shift from fee-for-service to pay-for value, seeking financial efficiencies has become even more imperative.

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Another consideration in the move toward more advanced methods of patient billing and payment is the availability of sophisticated technology and strict compliance requirements that provide a strong level of protection to consumers. Approximately 90% of hospitals in the United States have reported data breaches in the past two years despite strict guidelines set forth in HIPAA for protection of PHI. Like the healthcare industry as a whole, the healthcare payment industry is highly regulated and is subject not only to HIPAA but also the Payment Card Industry Data Security Standards (PCI DSS).

The PCI DSS encompasses a set of requirements helping to ensure that all merchants that process, store or transmit credit card information maintain a secure transaction environment. The goal of these regulations is to protect all parties involved in electronic transactions — cardholders, merchants, processors and issuing banks — from identity theft and fraud. The

availability of EMV[®], or chip-reader technology to authenticate credit and debit cards, and Address Verification Systems (AVS), which verify the identity of the person making a transaction by comparing billing address with address on file at the financial institution add further layers of protection to consumers in the healthcare payment process. Patients need to have confidence that their personal and payment information is secure and breaches resulting from outdated technology make a compelling case to digitize healthcare billing and payments. Healthcare payment firms employ robust security measures that increase a consumer's confidence in submitting sensitive information.

Due to the highly regulated, complex landscape of healthcare and healthcare commerce (taking into account HIPAA and PCI compliance), it has been a slow process of progression for payment hardware/software companies and processing firms. Admittedly, technology that allows for e-pay/card on file/payment at the point of service is not always a viable option in every hospital or in ER situation. However, where patients have copays, recurring services, or are provided with predictable treatment plans and estimates for service, digital payment solutions make sense. They can significantly speed up the revenue cycle process and provide greater convenience for patients who often find themselves in endless games of phone-tag with providers' billing support teams.

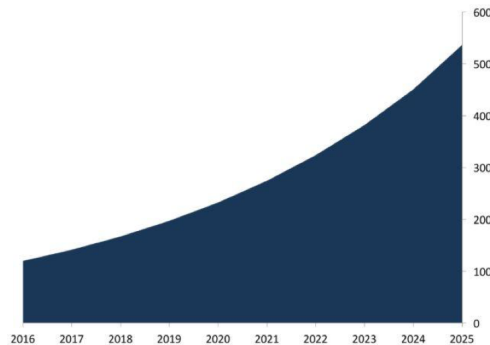
Hospitals spent over 20 years investing in technology to properly process payments from insurance companies. As the landscape has shifted toward more consumer-based payments, patient payment systems now must become a priority. By analogy, consider the move to electronic health records: it has been an evolutionary process but has ultimately provided convenience, efficiency and value to patients and healthcare providers. The consumerization and digitization of healthcare positions payment firms in a strong place to enhance the market.

The most successful healthcare payment firms will provide the best digital solutions, including offering value-added services that go beyond accepting and processing payments. Examples of emerging technology that healthcare payment firms can use to supplement their offerings include:

- Integrated check-in: Traditional methods used to capture patient information are cumbersome. Typically, patients fill out pages of forms upon check-in, then hand off to the provider to manually enter information into their system. Patients using a POS device upon check-in will cut time significantly.
- Patient liability estimation tools: Online tools that allow patients to estimate what they may pay out of pocket for various treatments and procedures.

The U.S. healthcare market is, unsurprisingly, growing rapidly. According to the Office of the Actuary in the Centers for Medicare & Medicaid Services (CMS), healthcare spending is expected to increase at an annual rate of 5% to reach \$4.6 trillion by 2022, making healthcare one of the largest markets in the world.

FORECAST: Global Digital Health Market Revenue
Billions (\$)



Source: Transparency Market Research

Intelligence.businessinsider.com. (2018, BI Intelligence. [online] Available at: <https://intelligence.businessinsider.com/post/healthcare-payments-report-how-payments-companies-can-take-advantage-of-a-trillion-dollar-processing-opportunity-2018-2> [Accessed 22 Jun. 2018].

That said, can the healthcare industry emulate the commercial success of other industries to streamline efficiencies and keep customers happy? Currently, a person can purchase an airline ticket, check-in for a flight, and verify identity/provide their ticket all through their device. It would seem that this modern consumer will be able to make the transition to this same level of convenience in the healthcare context if provided with the right tools.

As consumers become increasingly dependent on the digital world, hospitals and other healthcare facilities must continue to adopt new strategies that cater to the 21st century patient. The patient of the future should be able to check in via their device prior to arrival and be prompted digitally with that day's charges, which they can pay directly from their device with a card on file or through a POS system at the location. The patient of the future should be able to walk in, receive care, then walk out and get on with their day.

There are viable solutions that can vault healthcare commerce to the post-paper age and align it with that of other industries. The variety of tools and ideas outlined in this white paper are offered by innovative healthcare payment firms that extend exclusive services for hospitals, which benefit both providers and patients.

Digitization is the absolute future of commerce in general and healthcare commerce specifically, and secure and efficient payment should be the foundations of all electronic-transaction processing. In a time when driving dollars to your hospital's bottom line has never been more critical, it has also never been more challenging. There are many solutions that ensure information is safe, provide frictionless payment options and increase patient satisfaction so that healthcare providers can shift their focus to their prime directive: **providing healthcare.**

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