

Revenue Cycle Trends Series:

Self Pay and the Benefits of Prospective Patient Engagement

Research Highlights

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Overview

OVERVIEW

- 1 Executive Summary
- 2 The Burning Platform
- 3 Current State
- 4 Future Priorities
- 5 Next Steps
- 6 About the Study

Highlights

- » Patient payment is on the rise. Hospitals have seen a 10 percent increase in self-pay dollars during the past five years (median).
- » Healthcare organizations are starting to capture these dollars. The number of hospitals that have mandatory pre- or point-of-service collections processes for outpatient services increased from 9 percent to 32 percent from 2009 to 2015.
- » There are opportunities for improvement. About 20 percent of survey respondents indicate high capabilities for pricing and patient education related to billing and administrative expectations.

Highlights

- » About 17 percent indicate high capabilities for pre-service automation, forecasting, and prioritizing financially eligible patient accounts.
- » Certain tasks take priority. Organizations rate pre-service pricing as the highest priority when considering how to engage patients in paying for their health care.
- » Respondents indicate point-of-service collections and automation are the highest priorities when considering which self-pay processes to implement.

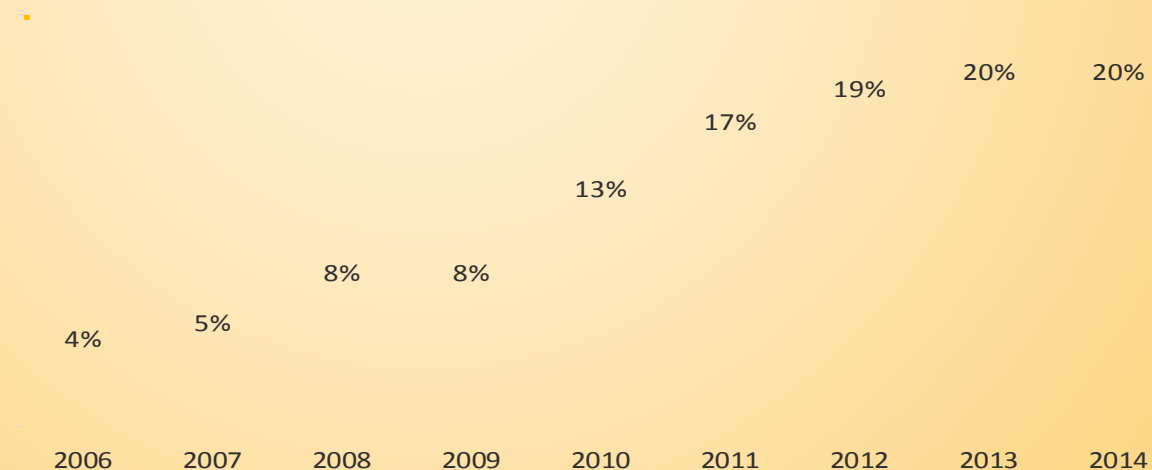
Concerns about Affordability

- » One in four adults with health insurance is not sure if he or she can afford to pay for major medical expenses.
- » Those with high-deductible health plans (HDHPs) are especially likely to worry about the effects of healthcare costs on personal finances.
- » Those with HDHPs are also more likely to think about costs when making healthcare decisions.

A Rise in High-Deductible Health Plans

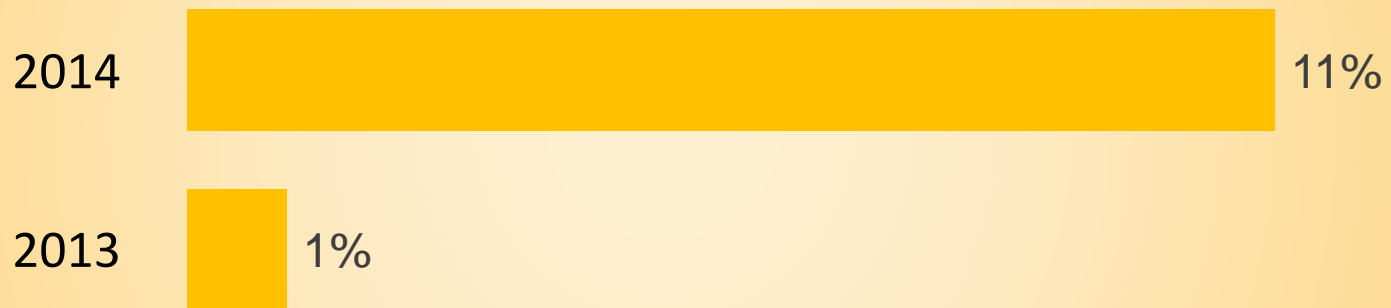
- » HDHPs—almost nonexistent 10 years ago—currently comprise 20 percent of covered worker enrollment.
- » Enrollment in all other health plan types decreased or remained constant.

HDHP/Savings Option Distribution of Health Plan Enrollment for Covered Workers, 2006-2014



Increasing Deductibles

Percent of privately insured adults who had a deductible of \$3K or more



Bad Debt is Growing

- » “Consumer bad debt for medical expenses was \$65 billion in 2010.”
- » “In some hospitals, the rate of bad debt is increasing at well over 30 percent per year.”

Medicaid expansion, HDHP trends, and healthcare provider organizations' adoption of improved charity care identification processes and pre- and point-of-care financial discussions are likely to impact future trends in bad debt.

About 90 Percent of Bad Debt is Not Recovered

The typical hospital recovers 10 percent of bad debt turned over to collections.

Bad Debt Collection Recovery

Percentile		
25th	Median	75th
5%	10%	20%

Self Pay is Increasing

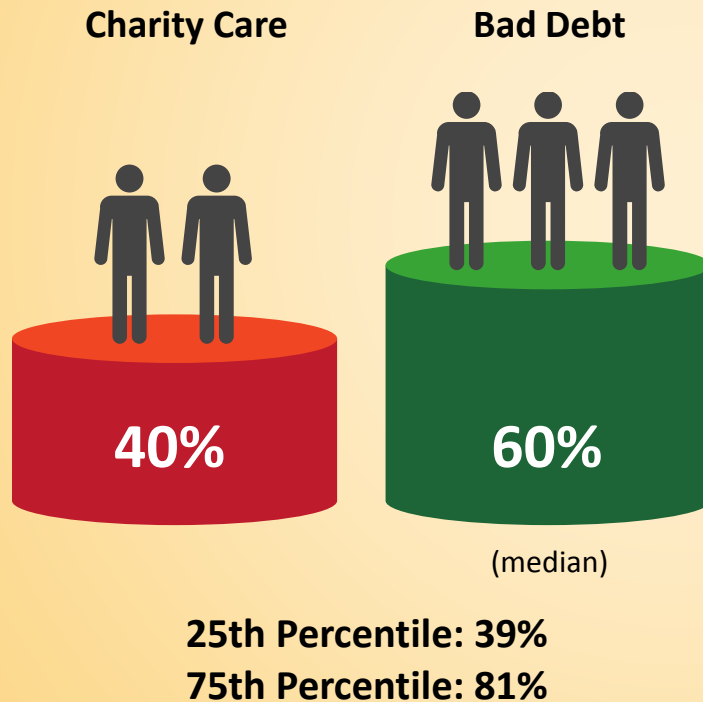
Generally, self pay has increased by 10 percent during the last five years.

Five-Year Increase in Self Pay (Dollars)

Percentile		
25th	Median	75th
4%	10%	20%

Bad Debt as a Percentage of Uncompensated Care is 60 Percent (Median)

Uncompensated Care



“Organizations should trend bad debt relative to charity care because a high percentage of bad debt may indicate an improvement opportunity. Plus, an increase in this metric may reflect a change in process or patient demographics.”

Sandra Wolfskill, FHFMA
Healthcare Financial
Management Association

Self-Pay Rates Vary by State

- » Self-pay increases are lower in Medicaid expansion states (traditional and non-traditional) than in non-expansion states.
- » Organizations with low bad debt to uncompensated care percentages are more likely to be located in a Medicaid expansion state.

Self-Pay Increase by Geography (Dollars)

Geography	Median Increase
Medicaid Expansion States	10%
Non-traditional Expansion States	5%
Medicaid Non-Expansion States	16%
All Hospitals	10%

Non-traditional expansion states have different requirements and processes tailored to their specific needs.

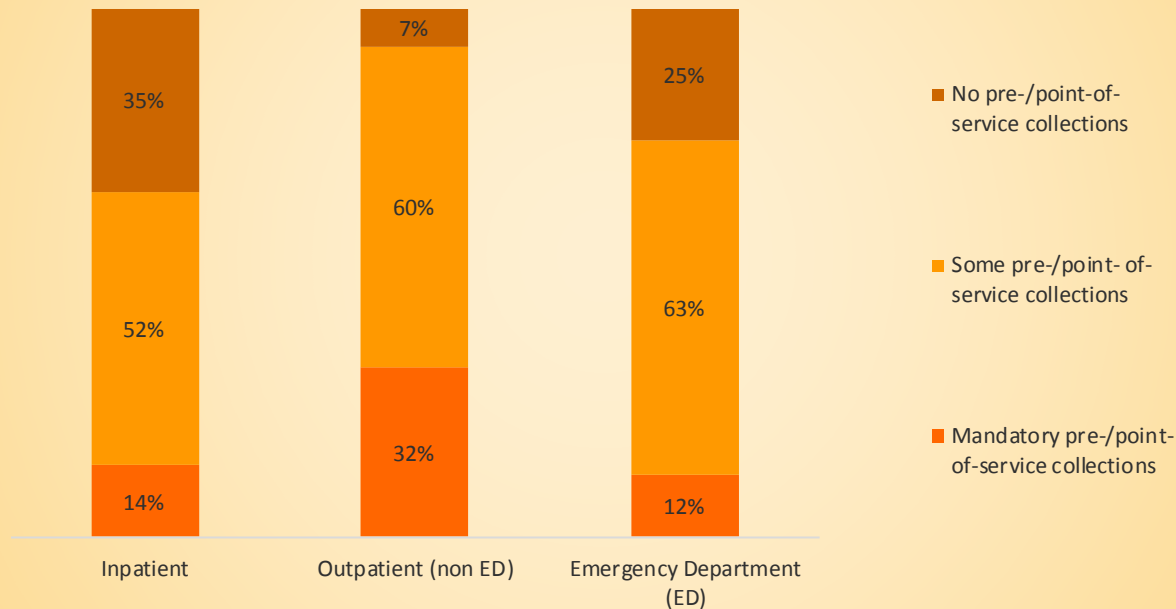
For example, Indiana requires participants to pay into a POWER account, similar to an HSA.

The state also offers financial assistance towards premium costs in employer plans

Innovations like these may help curb self-pay increases.

Outpatient Service Area Most Likely to Collect Patient Payment Pre-/Point-of-Service

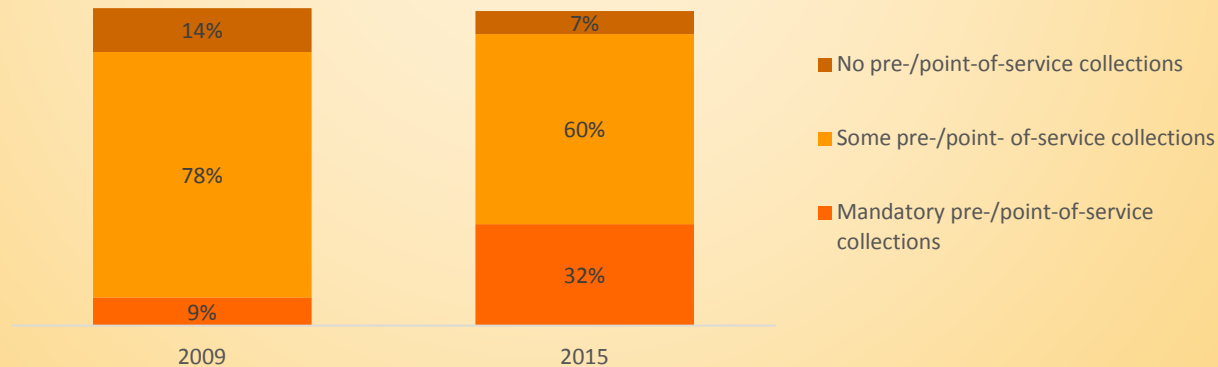
Pre-/Point-of-Service Collections by Service Line



Outpatient Pre- or Point-of-Service Collections Have Increased

The number of hospitals with mandatory pre- or point-of-service collections in outpatient settings increased from 9 percent to 32 percent from 2009 to 2015.

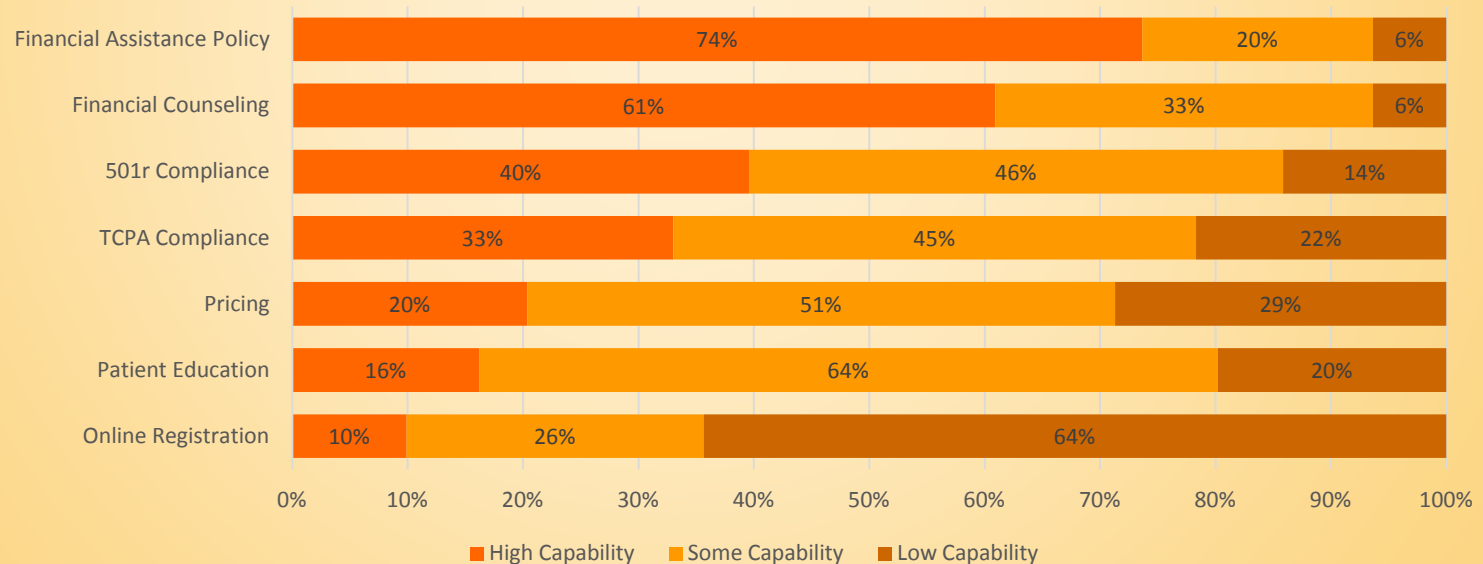
Outpatient (Non-ED) Pre-/Point-of-Service Collections



Few Organizations Indicate High Pricing, Patient Education, and Online Registration Capabilities

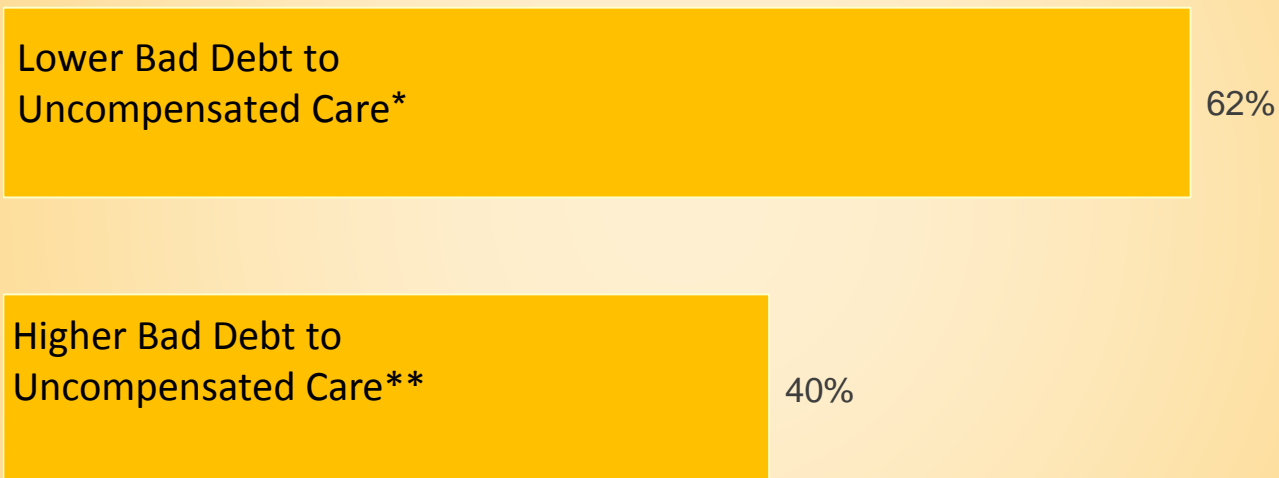
About 20 percent or fewer of survey respondents indicate high capabilities for pricing and patient education regarding billing and administrative expectations.

Self-Pay Capabilities for Patient Engagement



Respondents in Hospitals with Lower Bad Debt Report Higher Financial Counseling Capabilities

Percent Indicating High Capability in Financial Counseling by Bad Debt Category



* < 40% Bad Debt to Uncompensated Care

** > 60% Bad Debt to Uncompensated Care

Respondents in Hospitals with Lower Bad Debt Report Higher Capabilities around Financial Assistance Policies

Percent Indicating High Capability in Financial Assistance Policies by Bad Debt Category

Lower Bad Debt to Uncompensated Care* 85%

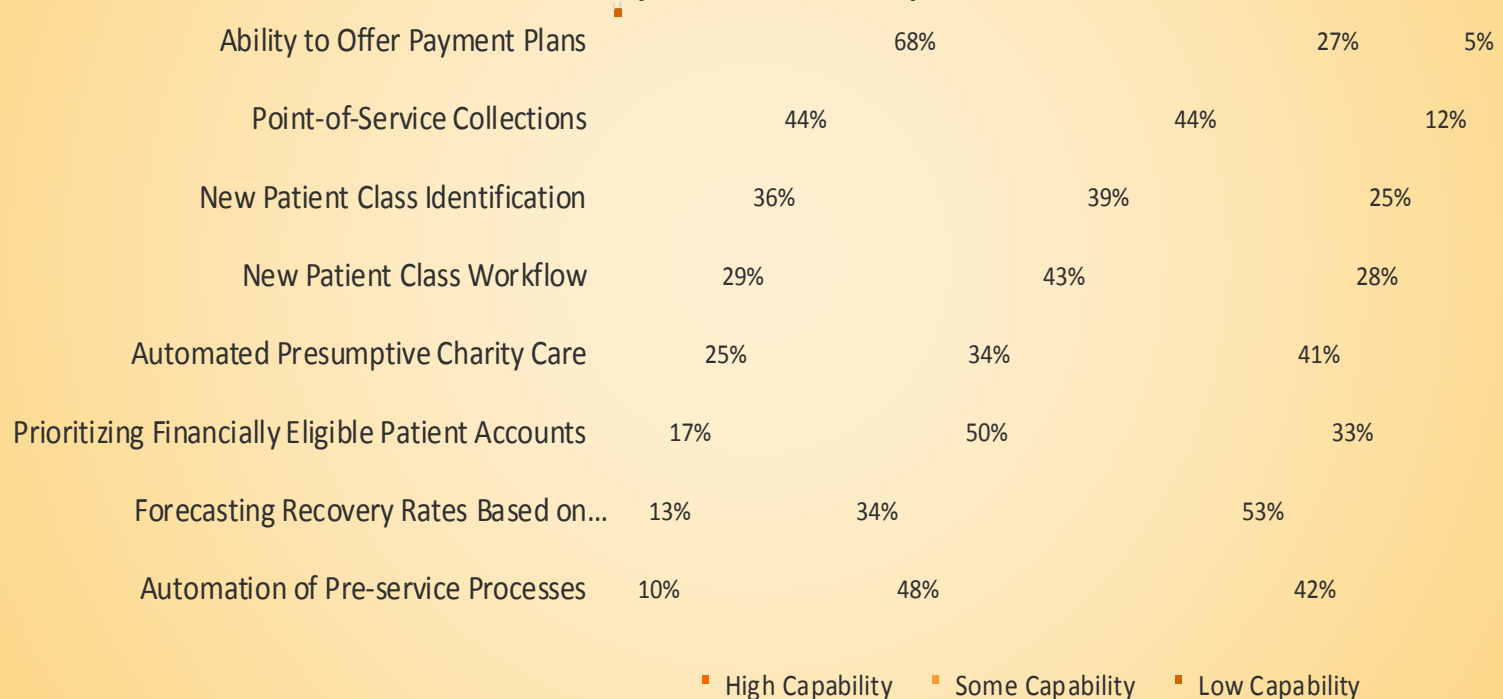
Higher Bad Debt to Uncompensated Care** 64%

* < 40% Bad Debt to Uncompensated Care

** > 60% Bad Debt to Uncompensated Care

Lack of High Capabilities for Pre-Service Automation, Forecasting, and Prioritizing Financially Eligible Patient Accounts

Self-Pay Process Capabilities

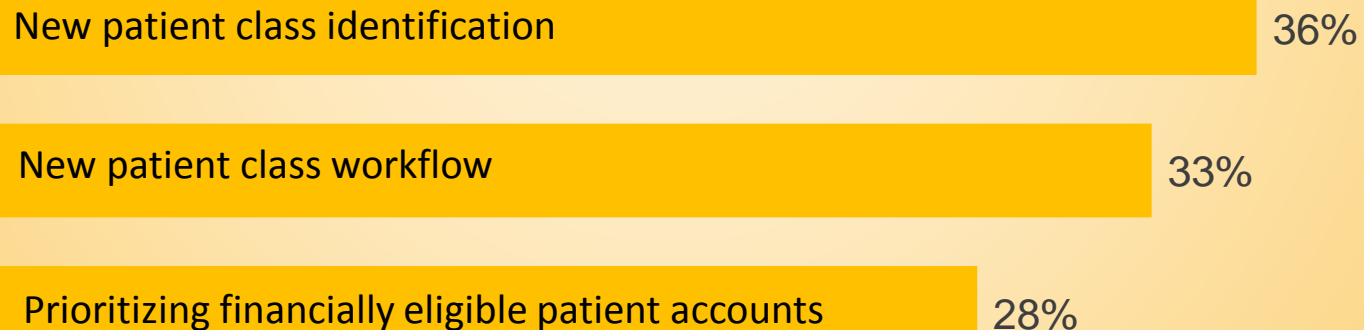


Limited Readiness for New Patient Classes

“Hospitals will need to develop mechanisms to identify and build processes for new patient classes, such as patients with high deductibles.”

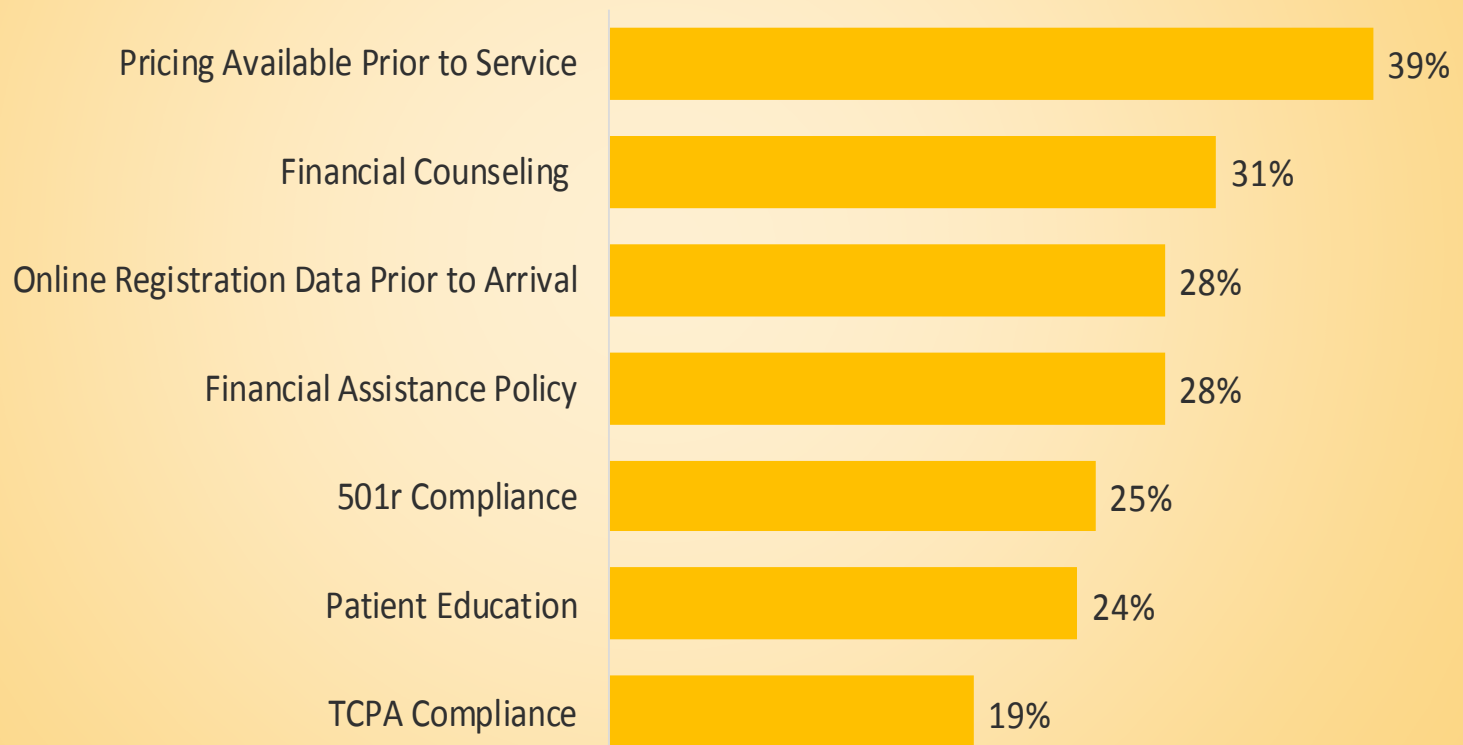
Don Wright, senior vice president, self-pay operations, Parallon

Percent Indicating High Capabilities



Organizations Rate Pre-Service Pricing as the Highest Priority for Self-Pay Patient Engagement

Self-Pay Patient Engagement: Percent Indicating High Priority



Respondents Indicate Point-of-Service Collections and Automation as Priorities for Process Improvement

Self-Pay Process Improvement: Percent Indicating High Priority

Point-of-Service Collections	37%
Automated Presumptive Charity Care	22%
Automation of Pre-Service Processes	21%
Forecasting Recovery Rates Based on Demographics	20%
Ability to Offer Payment Plans	17%
Prioritizing Financially Eligible Patient Accounts	16%
New Patient Class Workflow	16%
New Patient Class Identification	13%

Respondents Indicating Automation of Pre-Service Processes as a Future Priority



“It’s surprising to see fewer than a quarter of respondents indicating automating pre-service processes as a future priority. Automation, if done right, can significantly reduce effort and improve results. It is important to not simply apply a new technology to a broken process. Care should be given to develop ideal workflows.”

Tom Yoesle, chief operating officer,
Revenue Cycle Point Solutions,
Parallon

Patients Want More Accurate Billing and Price Transparency

- » About 61 percent reported being either sometimes or always surprised by out-of-pocket costs.
- » The same percentage are always or sometimes confused about their out-of-pocket costs.
- » Only 30 percent of patients are being offered pre-treatment cost estimates from their providers, despite evidence that demand for such information is growing.
- » Eight in 10 Americans believe receiving cost estimates prior to treatment is as important as bedside manner.

Patients are Able and Willing to Pay, Yet Surprised by Out-of-Pocket Expenses



1. Patients able and willing to pay out-of-pocket expenses up to \$1,000 per year.

61% 

2. Patients surprised by out-of-pocket-expenses.

Avoid Reducing Cost-to-Collect at the Expense of Revenue

“Hospitals typically focus on the cost-to-collect, often at the expense of the amount of cash collected. The intensity of efforts should be reversed because increasing yield is often easier than reducing the cost-to-collect. For example, decreasing the cost-to-collect from 4 percent to 3 percent (in absolute terms) for a hospital with \$300 million in revenue is a substantial—and painful—relative decrease of 25 percent, for \$3 million in annual savings.”

New and Elevated Roles Facilitate Patient Engagement and Improve Revenue Cycle Performance

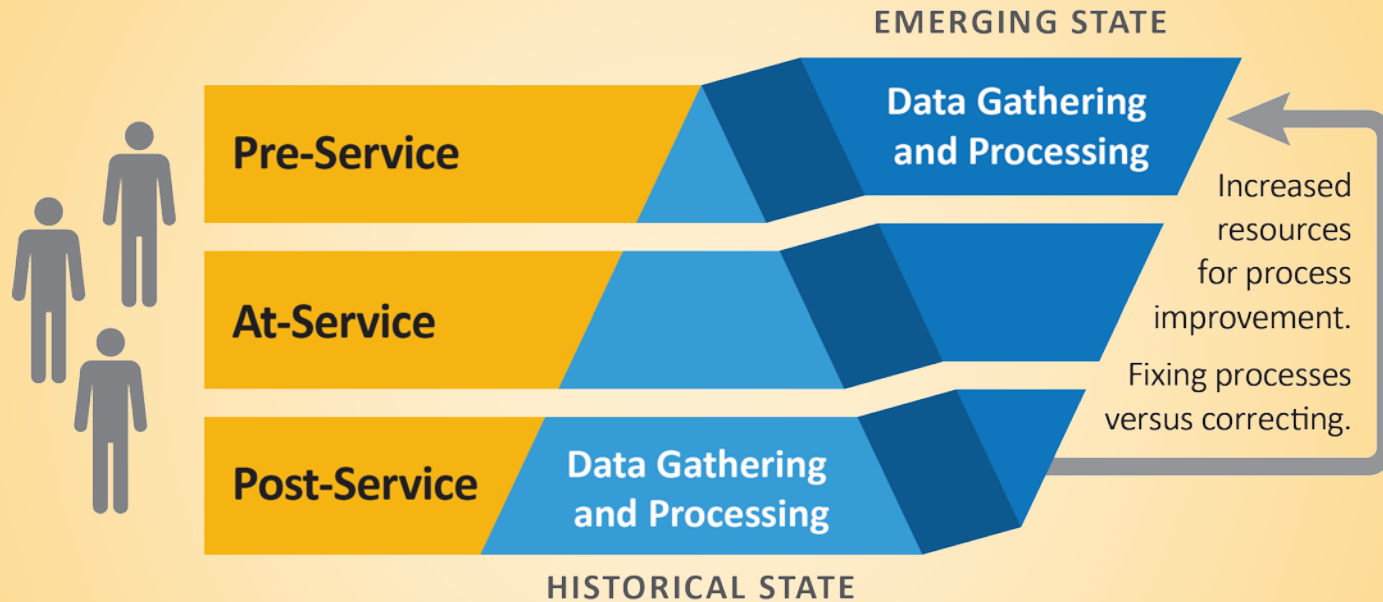
Patient Access Significantly Impacts Satisfaction and Payment



“Organizations are using clinical navigators to work collaboratively with patients and assist them with their care plans. Similarly, organizations should empower patient access staff to guide patients through the financial experience.”

Lorraine Schnelle, CPA,
Healthcare Financial
Management Association

Evolution of the Patient Financial Experience



Benefits of Prospective Patient Engagement

- Increase patient satisfaction
- Increase efficiency
- Increase cash flow
- Decrease write-offs
- Reduce rework
- Decrease no-shows

10 Focus Areas for Self-Pay Process Improvement

- » Hardwire patient-friendly communications and consistent messaging throughout the enterprise.
- » Increase access to payment estimates at or before time of care.
- » Engage with patients early about financial issues and options.
- » Ensure patients have access to financial counseling.
- » Embed pre- and point-of-service collection processes using tools such as scripts, training, and automated solutions to improve efficiencies and facilitate staff confidence with these conversations.

10 Focus Areas For Self-Pay Process Improvement (Cont'd)

- » Standardize patient information intake. All departments housing patient entry points follow a standardized, approved process.
- » Elevate staff capabilities to match their roles' business impact, especially in patient access.
- » Automate and streamline where feasible.
- » Ensure continuous improvement through accountability and reporting, reducing rework and delays due to inaccurate or incomplete information.
- » Learn, benchmark, and share best practices.

Responses

Overall Response Rate

	Percent
Response Rate	9.6%
Completion Rate	86.3%

Response By Title

Title	Total
Financial Executive/CFO	62
Revenue Cycle Leader (Director and Above)	55
Grand Total	117

Responses

Response by Bed Size

Bed Size	Total
<100	41
100-249	30
250-499	15
>500	28
NA/Blank	3
Grand Total	117

Responses

Response by CBSA Geography Type

CBSA Definition	Total
Division	13
Metro	38
Micro	28
Rural	12
Blank	26
Grand Total	117

Responses

Response by Bad Debt: Uncompensated Care Cohort

Bad Debt: Uncompensated Care Category	Total
<40%	26
40-60%	20
>60%	25
Not Included	46
Grand Total	117

Full Question Text

Self Pay: Capabilities for Patient Engagement

- » **Financial assistance policy.** Policy available during intake process, discharge, and in patient bill
- » **Financial counseling.** Patients have access to trained staff to assist patients in identifying financial options
- » **Patient education.** Patients understand billing and administrative expectations
- » **Pricing.** Availability of patient pricing prior to service
- » **Online registration.** Online registration captures necessary patient data prior to arrival
- » **501r.** Operational and technology requirements are in full compliance with requirements

Self Pay: Process Capabilities

- » **New patient class identification.** Ability to identify new patient financial classes (such as patients with health exchange insurance)
- » **New patient class workflow.** New workflow processes for new patient financial classes
- » **Forecasting recovery rates based on demographics.** Forecast recovery rates based on patient demographics
- » **Prioritizing financially eligible patient accounts.** Use of data to prioritize potential financially eligible patients
- » **Automation of pre-service processes.** Automation of pre-service processes
- » **Automated presumptive charity care.** Processes to identify patients who qualify for financial assistance
- » **Ability to offer payment plans.** Ability to offer patient payment plans
- » **Point-of-service collections.** Collections, including prior balances, or payment plans established pre- or point-of-service for all patients with the means to pay (and in compliance with regulations, e.g., EMTALA)

About Parallon

Parallon is a leading provider of healthcare business and operational services. Parallon partners with more than 1,400 hospitals and healthcare systems, along with 11,000 non-acute care providers (ambulatory surgery centers, physician practices and alternate care sites) to improve their business performance through best practices in a broad portfolio of services. With deep expertise and a strong operational legacy, Parallon supports healthcare providers in the areas of revenue cycle, technology, workforce management and consulting, in addition to group purchasing and supply chain management through HealthTrust. Parallon is committed to bringing relevant knowledge, a long track record of operational excellence and a full suite of enterprise-wide capabilities to help providers thrive in the communities they serve.

About HFMA

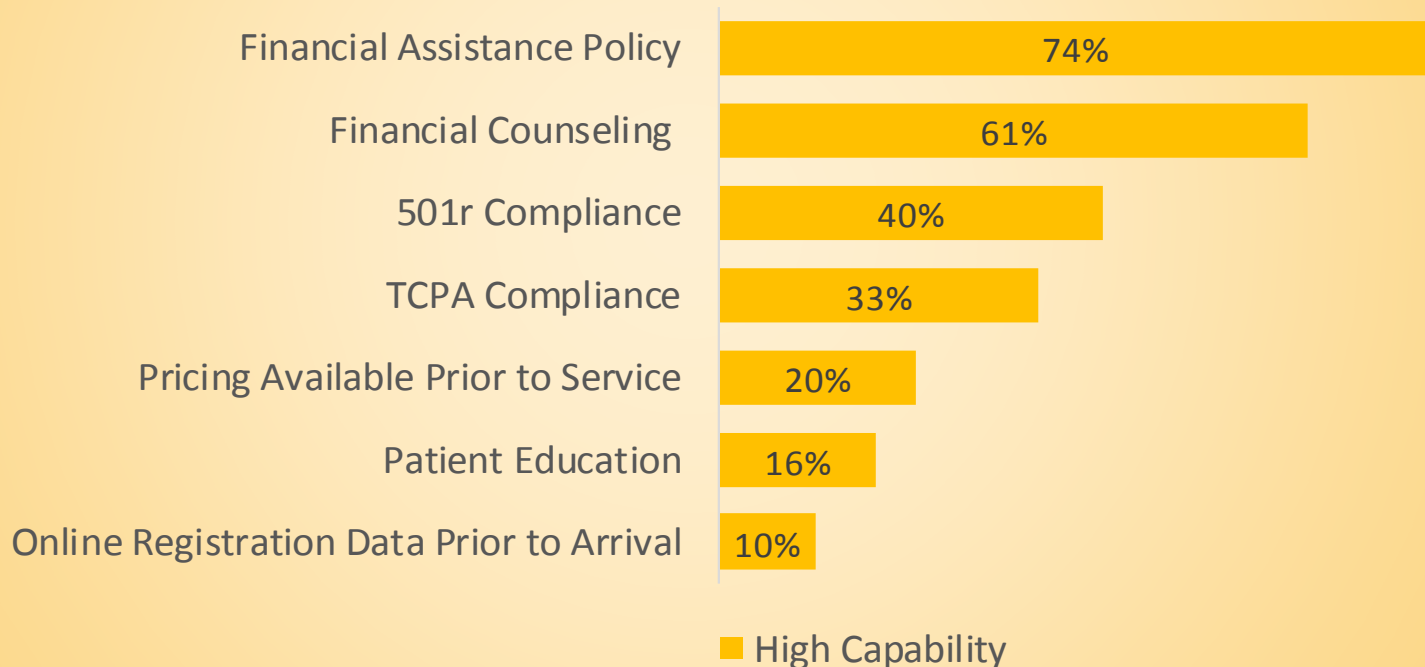
With more than 40,000 members, the Healthcare Financial Management Association (HFMA) is the nation's premier membership organization for healthcare finance leaders. HFMA builds and supports coalitions with other healthcare associations and industry groups to achieve consensus on solutions for the challenges the U.S. healthcare system faces today. Working with a broad cross-section of stakeholders, HFMA identifies gaps throughout the healthcare delivery system and bridges them through the establishment and sharing of knowledge and best practices. We help healthcare stakeholders achieve optimal results by creating and providing education, analysis, and practical tools and solutions. Our mission is to lead the financial management of health care.



Additional Information

Few Respondents Indicate High Capabilities for Pricing, Patient Education, Online Registration

Self-Pay Capabilities for Patient Engagement



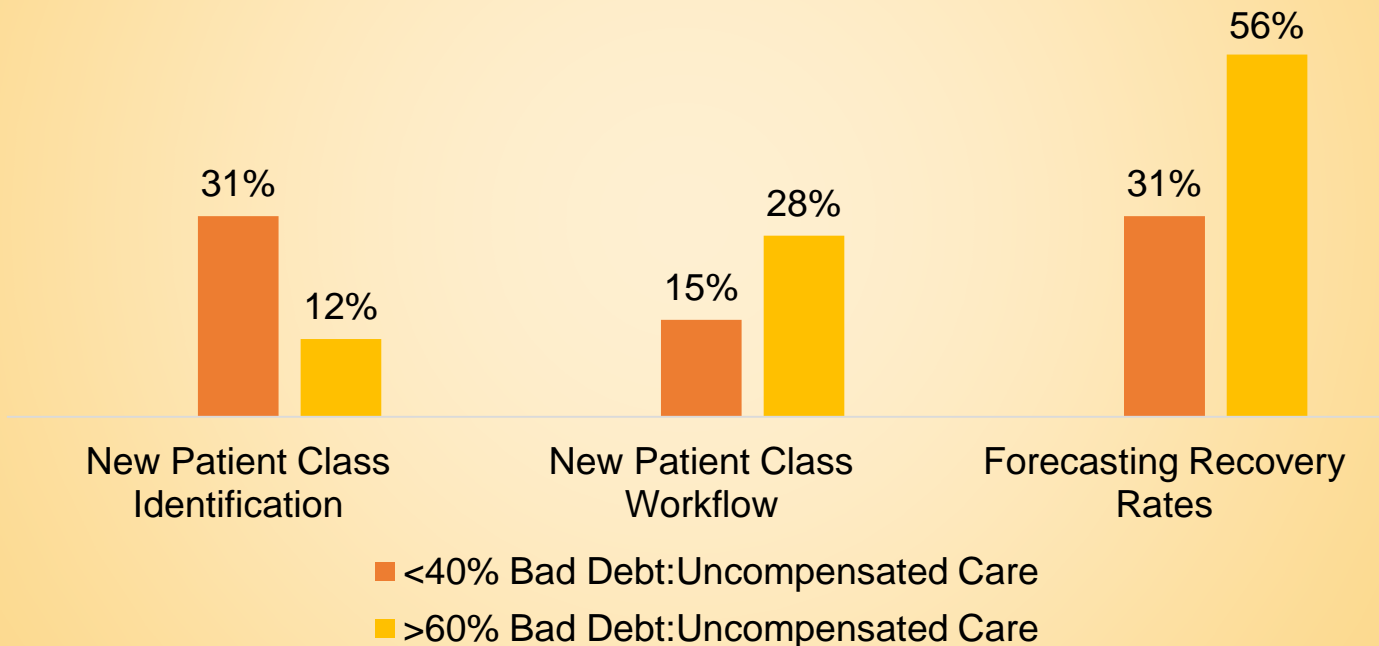
Organizations Indicate Low Capability With Forecasting, Automation

Self-Pay Process By Low Capability

Forecasting Recovery Rates Based on Demographics	53%
Automation of Pre-Service Processes	42%
Automated Presumptive Charity Care	41%
Prioritizing Financially Eligible Patient Accounts	33%
New Patient Class Workflow	28%
New Patient Class Identification	25%
Point-of-Service Collections	12%
Ability to Offer Payment Plans	5%

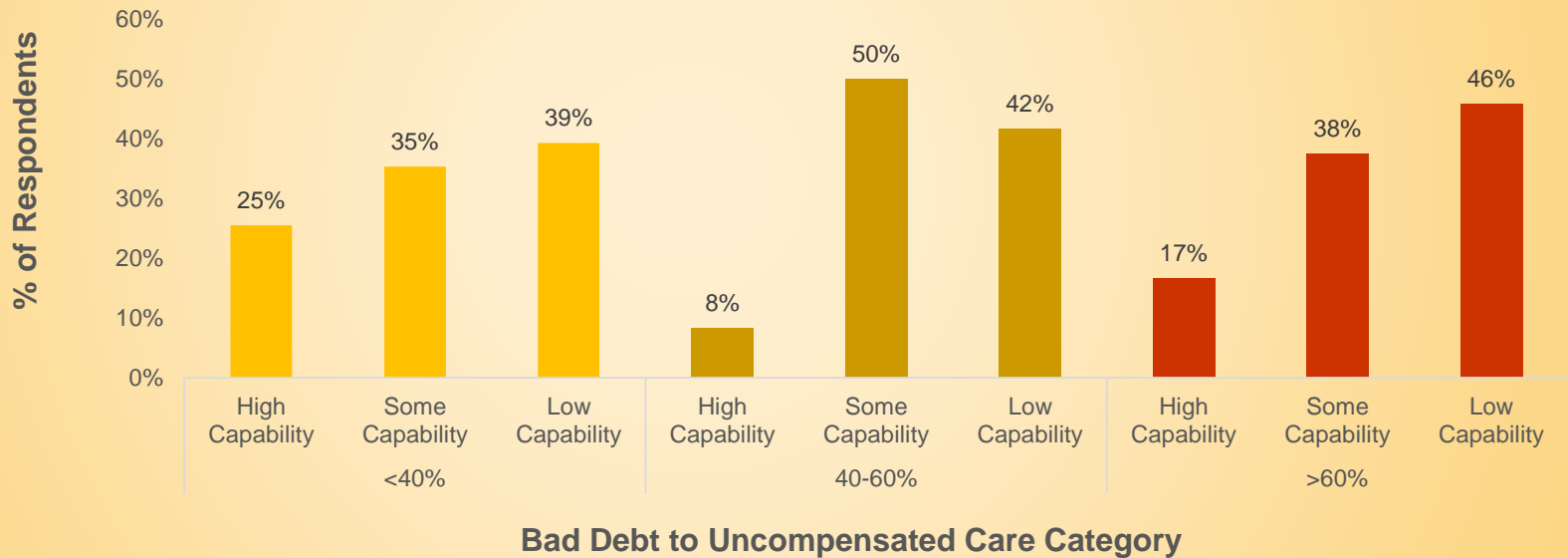
Low Self-Pay Process Capability Increases as Bad Debt Increases, Except for New Patient Class Identification

Percent Indicating Low Capabilities



Respondents Indicate Point-of-Service Collections and Automation as Priorities for Process Improvement

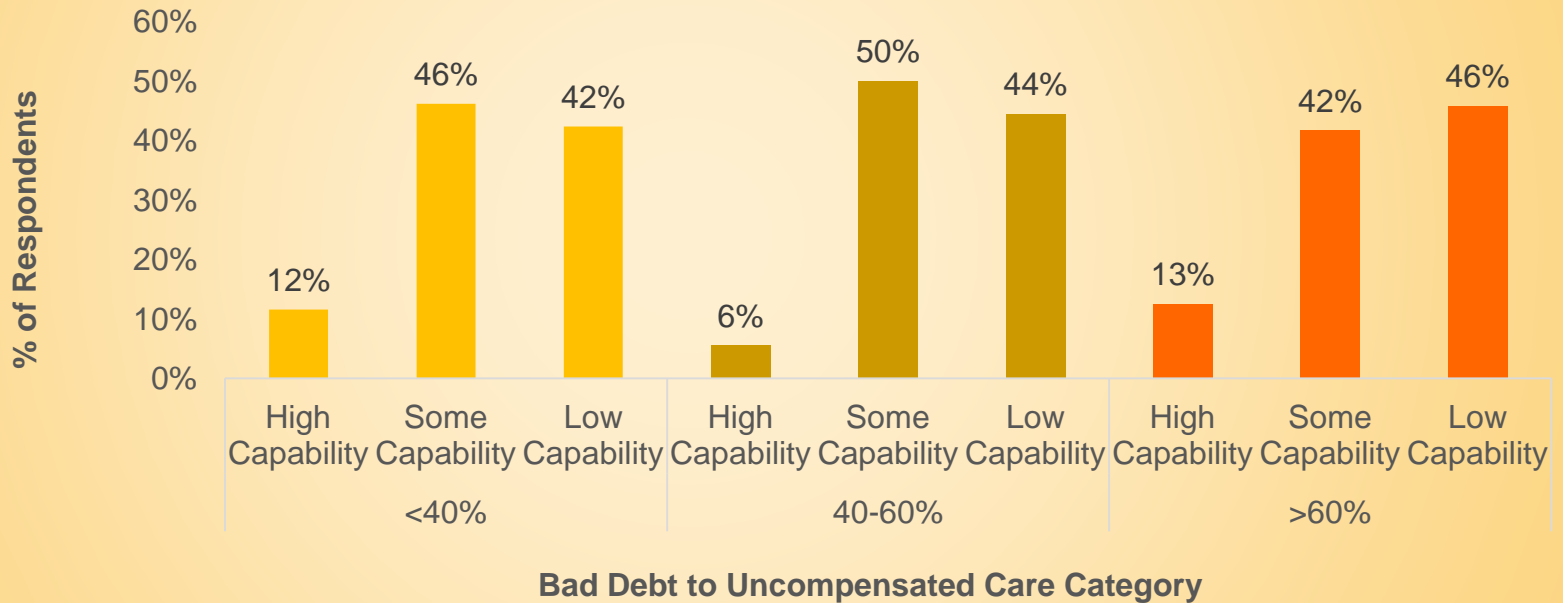
Automation of Presumptive Charity Care and the Pre-Service Process By Bad Debt: Uncompensated Care



Findings may be considered anecdotal due to distribution of responses

Respondents Indicate Point-of-Service Collections and Automation as Priorities for Process Improvement

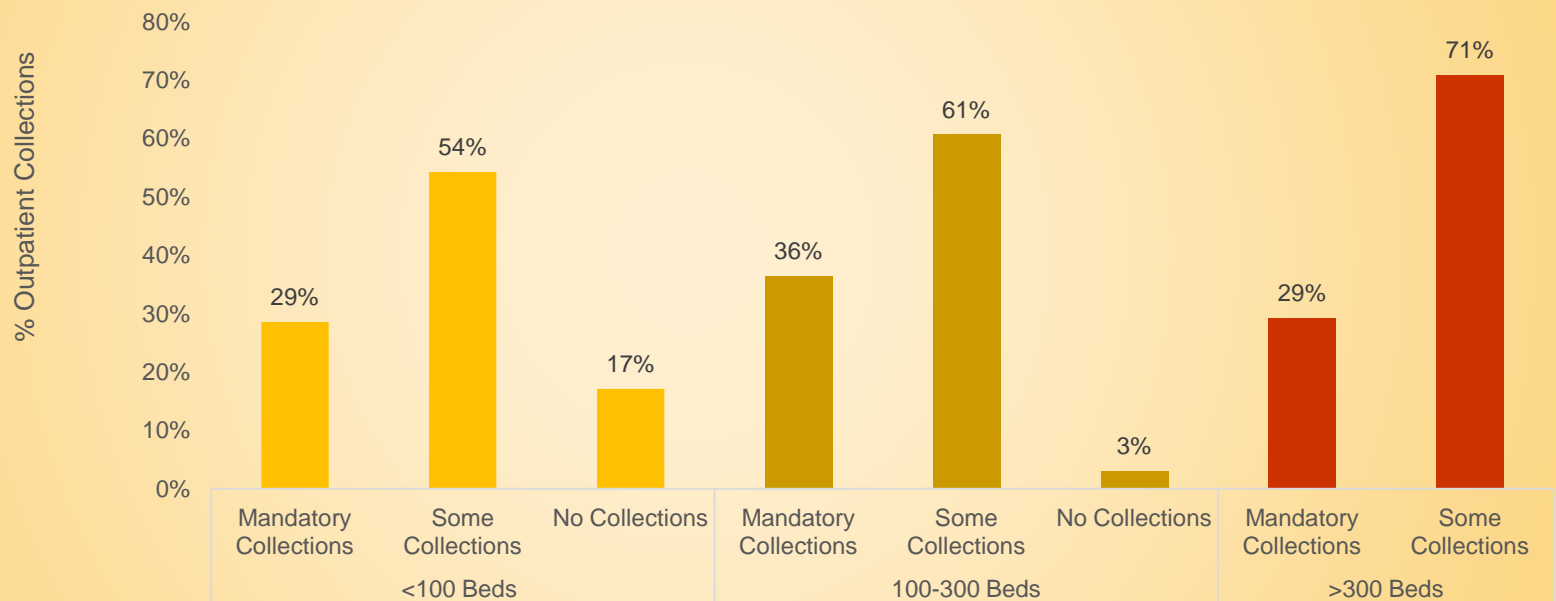
Automation of the Pre-Service Process



Findings may be considered anecdotal due to distribution of responses

Outpatient Pre-/Point-of-Service Collections (non ED)

Outpatient Pre-/Point-of-Service Collections By Bed Size

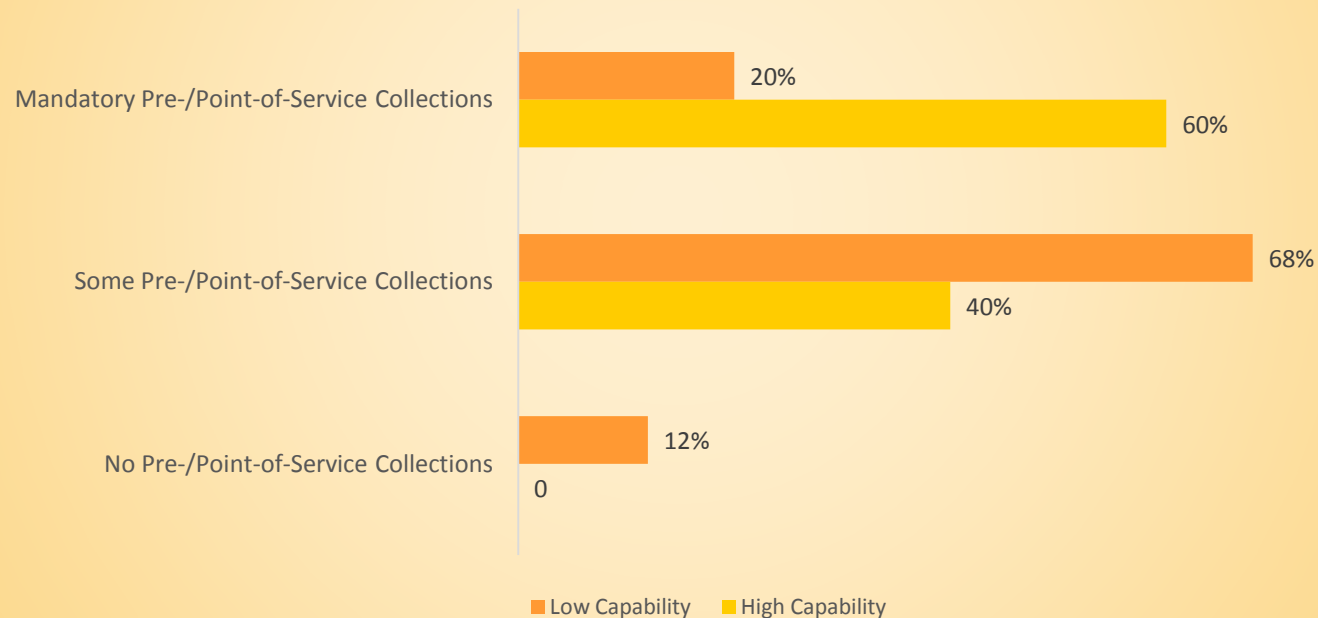


Collection Category By Bed Size

Findings may be considered anecdotal due to distribution of responses

Outpatient Pre- /Point-of-Service Collections (non ER)

Considering Pre-/Point-of-Service Collections and Pre-Service Automation Capabilities



Findings may be considered anecdotal due to distribution of responses