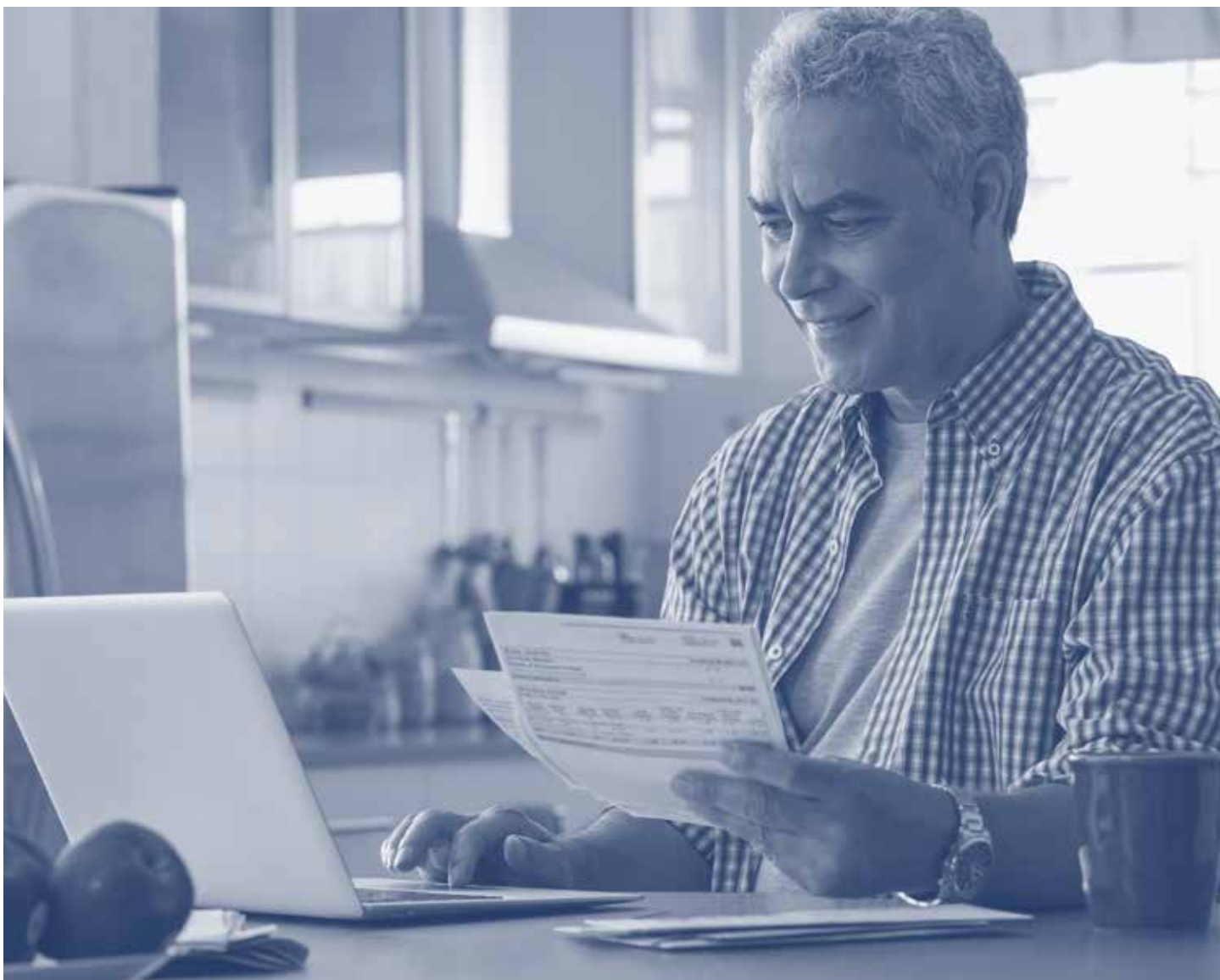




Solving the Self-pay Puzzle

Improve compliance, health outcomes and customer service while resolving the growing number of patient self-pay accounts



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Consider these four key questions to help assess your strengths and potential weaknesses in the patient self-pay account resolution process.

Disclaimer: This e-book provides summary information and is not intended as legal advice. Readers should seek specific legal advice before taking any action with respect to the matters discussed in this e-book.

Executive Summary

AS HIGH-DEDUCTIBLE HEALTH PLANS have become increasingly widespread, the portion of medical bills that fall under patient responsibility, or patient self-pay, has also increased steadily.

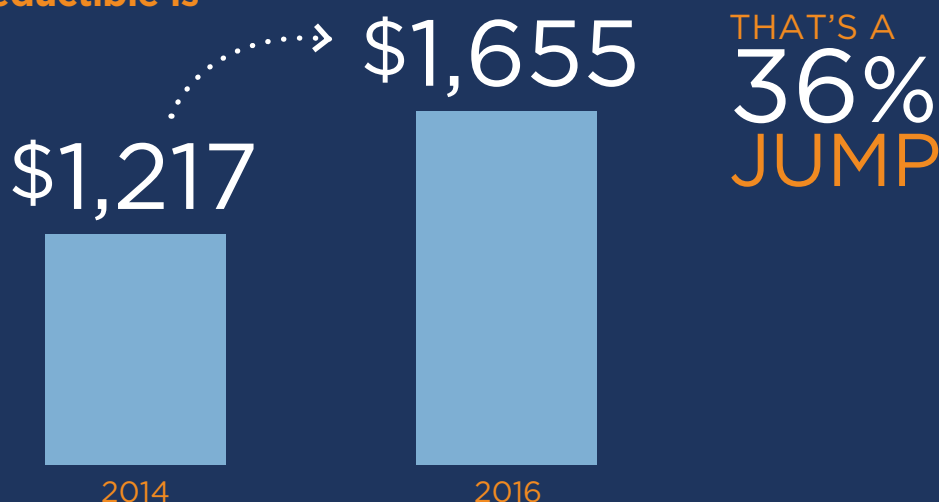
For instance, the average annual deductible for a worker with single coverage through his or her employer jumped 36% in 2019 to \$1,655 from \$1,217 just five years earlier in 2014, according to the Kaiser Family Foundation's 2019 Employer Health Benefits Survey.

Forward-thinking healthcare facilities are reconsidering their revenue cycle processes to better cope with the rising number of patients who are responsible for paying all or a larger share of their medical bills, including how to reach self-pay patients and more effectively resolve balances.

In this e-book, we will share best practices and insights from experts who have successfully overcome the unique challenges of resolving patient self-pay accounts. We will examine:

- Why patient self-pay accounts require a more sophisticated approach
- How hospitals can optimize processes within each phase of the revenue cycle
- How to implement best practices for resolving self-pay accounts
- Defining traits of successful patient self-pay collections and KPIs

A worker's average annual deductible is growing:





BACKGROUND

Understanding the Patient Responsibility Challenge

HOSPITALS HAVE CONSISTENTLY faced difficulties in collecting from uninsured patients who are responsible for directly paying their own medical bills. But the growth of high-deductible healthcare employer plans and the Affordable Care Act (ACA) combined to create a rapidly growing class of patients who have greater payment responsibility for their healthcare balances. Under the ACA, government subsidies allow millions of people to obtain health insurance who may have remained uninsured before. Many of those consumers choose high-deductible health plans, which leave them personally responsible for paying their medical bills until their deductibles are met—and many never meet those deductibles, which can reach thousands of dollars per person per year.

Even those who continue to obtain health insurance through their employers are more likely to have high-deductible plans. Among workers who had access to employer health coverage in 2019, 58% worked in firms that offered one or more high-deductible plans, according to the Kaiser Family Foundation. These result in greater patient responsibility to pay the medical bills.

And when patients visit hospitals or doctors that are out of their insurance company networks, they may be responsible for paying the bills directly, whether they have high-deductible plans or not.

All these scenarios represent larger amounts of payables that are the responsibility of the patients—and those balances are increasingly significant to hospitals' bottom lines. Because most hospitals operate on slim margins, resolving patient self-pay accounts can make the difference between a facility being profitable or unprofitable.

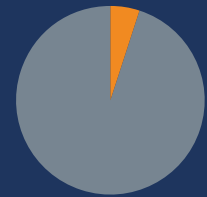
Large patient responsibility balances often result in wage garnishment and ongoing financial difficulties, including medical debt-related bankruptcies, for patients. In 2016, 37% of Americans, or 70 million people, said they had problems paying their medical bills in the past 12 months or were paying off medical debt, according to the Commonwealth Fund. While hospitals must pursue the resolution of patients' portion of their medical bills, the relationship between providers and patients can be fragile and requires a more sophisticated approach.

By understanding the nuances of self-pay collections and optimizing processes across the revenue cycle, healthcare facilities can boost collections and maintain positive relationships with self-pay patients at the same time.



Patient Self-pay Responsibilities as a Percentage of a Hospital's Average Collections

2016:



3%–5%
of a hospital's
collections

Now:



5%–10%
of a hospital's
collections

The Result?

In 2016, 37% of Americans, or 70 million people, said they had problems paying their medical bills in the past 12 months or were paying off medical debt.

—Commonwealth Fund

3

The Three Phases of the Revenue Cycle Continuum

To avoid the revenue challenges that can stem from patient self-pay accounts, hospitals and health systems must optimize processes throughout the three distinct phases of the revenue cycle.



1. FRONT END



2. MIDDLE



3. BACK END



FRONT END: **PATIENT ACCESS**

THE BEST WAY TO PREPARE PATIENTS to pay their portion of medical bills is to tell them upfront about the estimated amount they will owe. Of course, it's not always possible to educate patients about the financial side of their care in advance, such as in an emergency situation. But before a surgery or procedure, for instance, financial staff should talk to patients about their insurance plan and how much they have paid toward the deductible, and explain the resulting balance owed.

When patients are properly informed about what's covered and their estimated balance, the time to resolve patient self-pay accounts is significantly reduced. It can be effective to ask for a down payment or set up a payment plan during the preregistration process to start the patient on the road to account resolution; in fact, some hospitals even offer a discount when payments are made in full upfront.

Also, patient access programs help uninsured patients explore and apply for various sources of coverage including Medicaid, Children's Health Insurance Programs (CHIP), Supplemental Security Income (SSI) and more.



MIDDLE:
**CLINICAL REVENUE
MANAGEMENT**

THE MIDDLE OF THE REVENUE CYCLE includes back-office processes such as charge capture, revenue integrity, managed insurance and insurance billing. To overcome patient self-pay challenges, staff must be on the lookout for insurance claim denials. When hospital staff proactively catch denials and manage the process of appeals, accounts are more likely to be resolved.

When a denial simply goes to the patient, the patient is likely to blame the hospital or the provider rather than work with the insurance company to resolve the issue. When staff take the time to bridge the gap between the insurance company and the insured, they often either resolve the issue creating the denial or find additional coverage, creating a more positive patient experience that results in faster account resolution.



BACK END: PATIENT FINANCIAL SERVICES

WHEN PATIENTS END UP with an unpaid balance, hospital staff must take on the role of consultants, not collectors. That means assessing each patient's unique situation to determine the best way to help them resolve their account and guide them through that process.

Most patients fall in either one of two groups: They have the ability to pay but may need to be educated on why they owe the balance, or they don't have the ability to pay the balance in full and need assistance in how to best resolve their balance over time. The back-end process must include empathetic interactions with the patient to determine their ability to pay. Technology with algorithms based on historical data can assist in this process. It also must include patient education on financial assistance, discount options, a variety of payment plans and payment options, and the ability to customize based on patient needs, all while simultaneously maintaining compliance with federal, state and local regulations.

Self-pay Challenges Throughout the Revenue Cycle

Reengineering the revenue cycle at each stage can help hospitals resolve more patient self-pay accounts. But these accounts still present unique challenges throughout the cycle, such as:



COMPLIANCE

Government regulations strictly outline how and when healthcare facilities can communicate with patients who have outstanding accounts. Those regulations vary by state and even municipality, and change regularly.

Contacting patients with past-due accounts in ways that violate regulations can be expensive. For example, each call or text made in violation of the Telephone Consumer Protection Act (TCPA) can cost up to \$1,500 per instance in fines and damages. Resolving patient self-pay accounts requires a deep knowledge of compliance issues and an ability to stay updated on changes.



CHANGING TECHNOLOGY

Patients have become accustomed to interacting with businesses through their smartphones and computers. Self-pay account resolution must thread the needle of providing patients with the communication methods they prefer while maintaining integrity of PHI and compliance with government regulations—many of which were enacted into law prior to the advent of the internet and do not contemplate modern options.

The 411 on the TCPA

First enacted in

1991

Created to prevent telemarketers from making unwanted calls and nonconsensual contact through phones and fax machines



Now extends to mobile phones and pre-recorded messages

\$1,500

in potential damages from each TCPA violation.

2015 regulations from the FCC clarified that TCPA rules do not apply to all calls and texts. However, automated calls related to accounting or debt collection do require prior consent from the patient.

Hospitals should reduce the risk of noncompliance by ensuring consent policies are explicit.

Best Practices for Resolving Self-pay Accounts

Healthcare systems that experience success in resolving patient self-pay accounts usually employ a number of common best practices, including:



Developing a method of effectively scoring self-pay patients and segmenting them by their propensity to pay and the best communication methodology to interact with a specific patient



Implementing the latest technologies such as apps and kiosks to make it easier for self-pay patients to resolve their accounts



Expanding payment options for self-pay patients to include cash, check, credit, mobile wallet and payment plans

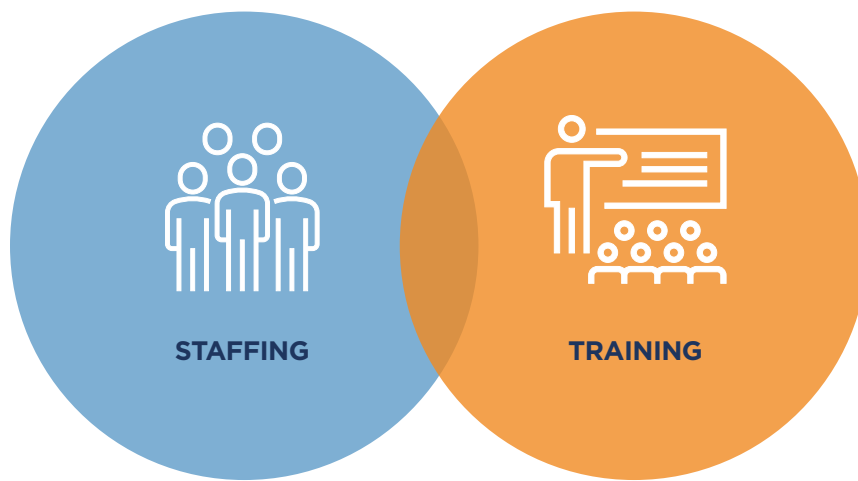


Providing patient education to help self-pay patients understand their benefits and financial responsibilities



Using technology to standardize billing and collection practices across various locations to comply with different local laws

A New Approach



FOR MOST HEALTHCARE FACILITIES, resolving self-pay accounts will require significant changes in staffing and training—and potentially the outsourcing of the self-pay account resolution process.

Increased staffing may be necessary to answer and make calls to patients at times preferable to them. If hospitals have the technology in place to determine how and when a particular patient wants to be contacted, it's most effective to have staff available at those times to avoid long hold times and hurried, stressed staff members. Negative experiences will not boost patients' willingness to resolve their accounts.

Customer service training is important for helping staffers handle objections appropriately, be empathetic with patients and learn new options for resolving patient accounts. When patients experience positive interactions with hospital staff, they will be more likely to resolve their accounts.

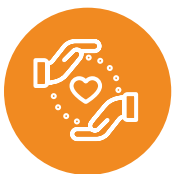


Because many hospitals aren't equipped to increase staff or training, outsourcing patient self-pay account resolution can be the most affordable and successful option.



Finding the Balance

Healthcare provider organizations that are able to effectively balance on the tightrope of patient self-pay account resolution share three cultural attributes.



1. A CULTURE OF EMPATHY FOR THE PATIENT

Working to resolve patient self-pay accounts is completely different from traditional collections. These aren't consumers who chose to finance an expensive car or TV; they are patients who experienced an unexpected health issue and may not understand their own responsibility beyond paying their insurance premiums.

To resolve accounts effectively, hospital staff must understand this difference and treat patients differently than they would treat a person who is late paying their cable bill. That means understanding that few people can write checks for \$2,000 or even \$500 to pay their balances in full. Instead, healthcare facilities must be willing to work with patients and provide more time and payment options rather than creating more stress and significant dissatisfaction for them.



2. A FOCUS ON COMPLIANCE

Because regulations governing account resolution activities are vast and frequently changing, facilities need a constant focus on compliance. Even if a facility unintentionally breaks the rules in interacting with patients, regulators will assess fines or there will be other legal ramifications.

If you outsource patient self-pay account resolution, make sure your vendor is knowledgeable about all applicable legislation. In the eyes of the law, a facility is often responsible for the actions of its vendor.



3. A DEEP UNDERSTANDING OF THE HEALTHCARE PAYER LANDSCAPE

Outstanding patient self-pay accounts aren't always what they seem. For instance, when Parallon handles accounts for clients, 30% to 40% of the balances assumed to be patients' responsibility may be eligible for reimbursement from another payer. There may be additional coverage available from the insurer, the patient may have more than one insurer or there may be patient leakage that the facility didn't capture upfront. Facility staff must have a deep understanding of the payer landscape to be able to do the research to uncover and apply those additional coverage streams.

30% to 40%

of the balances assumed to be patients' responsibility may be eligible for reimbursement from another payer.



Measuring Self-pay Success

How successful is your patient self-pay account resolution process? The answer depends on your facility's location, patient population and local demographics. For instance, rural areas that consist of primarily Medicaid patients may never see account resolution rates as high as those in more suburban areas that have many more privately insured patients.

How Is Your Process?



Ask yourself these questions to assess your strengths and potential weaknesses in the patient self-pay account resolution process.

1. Is a significant portion of your self-pay recoveries coming from payer payments?

If so, you may have inefficiency at the front end of your revenue cycle, resulting in patients being billed for much larger balances than they truly owe.

2. Are you experiencing a high level of insurance denials for claims filed?

If so, the front end of your revenue cycle needs improvement to help ensure that patients are pre-certified and understand their insurance deductible and the amount covered.

3. When an insurance company denies a claim, does your staff contact the insurance company?

If not, your patient is likely receiving a statement of the denial along with a bill, which may surprise or anger them. This can signal that the middle phase of your revenue cycle needs some tweaks.

4. Do you pursue every outstanding patient self-pay account in the same way?

If so, you need to reconfigure the processes in the back end of your revenue cycle. Each patient has a different situation affecting their ability to pay, which should dictate how and when you interact with them.



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