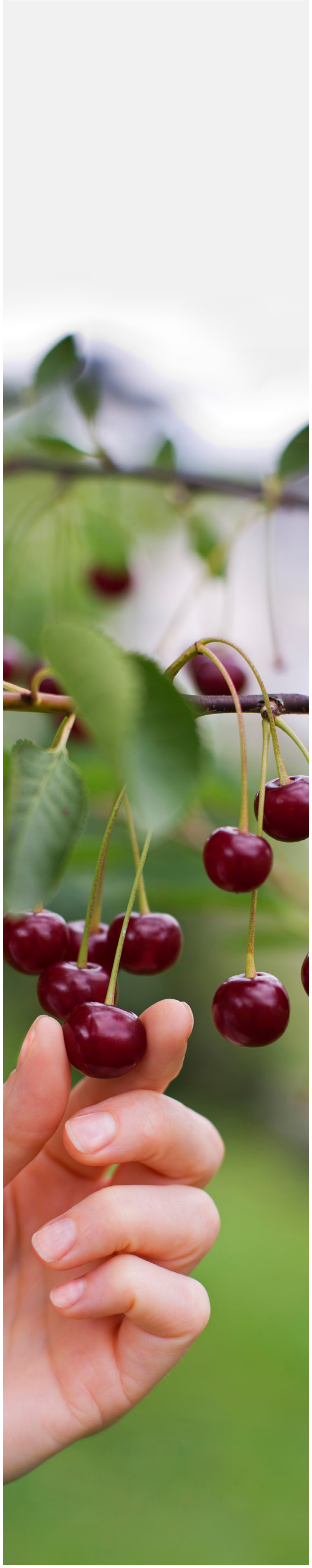

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# Catering to Patients as Consumers: Four Must-Haves to Improve Collections

The long-standing social covenant between patients and providers is being significantly rewritten. Efforts aimed at persuading patients to take a more active role in their own health is certainly contributing to the new order, but the bigger driver is money.

As a major part of the consumer-directed healthcare movement, patients are shouldering a growing share of medical bills:

- One in five Americans with employer-sponsored health insurance has moved to a high-deductible plan, up from one in 12, says Kaiser Family Foundation.
- As of mid-January 2014, about 20% of newly insured bought bronze plans with family deductibles of $10,386 while another 60% opted for silver plans with family deductibles of $6,078.
- The Centers for Medicare and Medicaid project that consumers spent $335 billion out-of-pocket in 2013.
- Patients now are responsible for nearly one-quarter of their doctor bills, according to the American Medical Association.
- Average patient payments to hospitals climbed nearly 38% in just one year, from $1,862 in the second quarter of 2012 to $2,568 by the second quarter of 2013, reported TransUnion Healthcare.

This greater financial responsibility is causing patients to rethink their traditional relationship with healthcare institutions. No longer content to passively follow doctors' orders, patients are adopting a markedly different mindset and higher expectations. Increasingly, patients view healthcare through the critical lens of a discriminating consumer, applying some of the same criteria in choosing doctors, hospitals and other providers and treatment as they do when buying cars or making other major financial decisions.

## Patients as Consumers

Registration, admissions, billing and other patient services are ground zero for the new social contract between patients and providers. In particular, the way providers interact with newly galvanized patients about financial matters is absolutely critical. Unfortunately, many providers are ill-prepared to successfully respond to patients as consumers when they walk into the building or make that initial call to schedule a procedure.

In recent years, most providers have had to focus their efforts on developing, tracking and complying with clinical guidelines through the implementation and management of electronic medical records. While adapting to the clinical side of healthcare reform is mandatory, addressing the growing side-effects of consumer-directed health plans has become an unanticipated necessity for financial survival.

Relatively less consideration and fewer resources have been devoted to transforming patient financial interactions. Geared to dealing with large commercial and government payers, providers have been slow to adapt to the shifting mix of payments. The result: Little support for patients with burgeoning medical debt and additional strain on their own beleaguered finances.

Patients were responsible for 23% of allowed charges in 2012, up from 20%, according to InstaMed. CarePayment's analysis of 1.25 million patient accounts from 45 healthcare providers found that providers collected a mere 5% of true self-pay receivables (TSP) and 30% of self-pay after insurance (SPAI) receivables.

Without a serious course correction, providers are in danger of damaging their reputations, patient relationships and revenues. To improve their financial health as well as the health of the people and the communities they serve, providers must develop a clear understanding of patients as consumers and take action to deliver against new expectations in patient financial interactions. It will then take senior leadership and strategic commitments for new processes, technology and training to make their operations truly patient-centric.

## What Matters to Patients as Consumers

While healthcare will remain different in important ways, patients are measuring their interactions with providers against the experiences they have with top retailers and other customer-service leaders. Major stakeholders, including employers and all levels of government, also are pushing patients to "shop" for value and adopt more consumer-like behaviors, attitudes and expectations for healthcare.

The impact of this changing dynamic is especially evident when it comes to financial aspects of care. Among respondents giving billing processes a top score, 81% would recommend the hospital to their friends, according to the Connance Consumer Impact Study. A full 100% of this group also would return to the hospital for a future elective service compared to only 36% of the group that ranked the billing process as very dissatisfying.

With more of their own money on the line, patients are expecting more services and features that are comparable to those they receive from retailers, car dealers and other consumer companies. The four priorities patients as consumers have for providers:

### 1. Price Transparency.

Patients want and need to know what they will pay for medical services – before care is rendered, not 45 days or three months later. In any other circumstance, it would be unreasonable, or even unthinkable, to expect people to agree to buy products or services without knowing the cost. However, estimating prices continues to be a challenge for providers. Unfortunately, so does collecting from patients. As a stop-gap, many providers employ a "best practice" for point of service collections by asking for a deposit. In any other industry, demanding an arbitrary upfront payment without knowing the total estimated charge would not be a best practice.

When consumers set out to purchase a washing machine or house, they can easily compare prices and features to determine what mix of cost and quality they can afford. Healthcare, they believe, should be no different.

Providers would be the optimal source of prices for their own services but most are well behind the curve in supplying this information. Other healthcare players have stepped into the vacuum. Though limited in scope, patients as consumers can use a whole host of healthcare comparison tools from:

- Payers, such as Aetna, Cigna, UnitedHealthcare, and Wellpoint
- State governments and Centers for Medicare and Medicaid
- Entrepreneurs including NerdWallet, Castlight, Healthcare Blue Book and New Health Choice
- Employers such as Safeway, GE and California Public Employees' Retirement System

Providers are going to have to catch up quickly because pressure is coming from all sides, and not just from patients. Some states are requiring providers to disclose prices and others are looking at similar mandates. Moreover, a growing number of institutions from Marietta Memorial Hospital to Heritage Valley Health System are voluntarily posting their prices – and capturing greater market share, volume and positive publicity as a result.

Since the Surgery Center of Oklahoma began listing its all-inclusive, guaranteed prices five years ago, it has attracted new patients from all over the United States and Canada. In response, other area healthcare institutions including McBride Orthopedic Hospital, Oklahoma Heart Hospital and Breast Imaging of Oklahoma, have begun posting prices. The Surgery Center of Oklahoma says another result has been a price war, with some Oklahoma hospitals agreeing to match the surgery center's much lower prices when patients arrive with the printed list in hand.

## 2. Flexible financing.

From TVs to cars, installment payments allow consumers to make purchases they otherwise couldn't afford. Lack of similar financing for patients is making healthcare affordability a serious problem:

- 30% of U.S. adults say they, or a family member, have put off medical treatment in the past year because of the cost, according to Gallup.

- Lack of money to pay for medical bills and medications is the top financial concern for Americans, according to Consumer Reports
- Unpaid medical bills are the leading cause of personal bankruptcy, says NerdWallet
- Patients with higher co-payments were 70 percent more likely to stop taking their cancer medications and 42 percent more likely to skip doses, according to the University of North Carolina

Unpaid patient bills and the cost of deferred care that leads to more severe health issues also pose a growing financial threat to providers. Bad debt accounted for more than 2% of the total cost of services for 86% of medical institutions, reports TransUnion Healthcare.

The solution: Enabling patients to manage their medical expenses over time. Nearly three out of four patients, or 71%, say they would use a monthly payment plan if it was available, according to InstaMed. In providing a flexible payment option over time, providers are able to remove a perceived obstacle to obtaining timely access to care.

That formula also offers clear benefits to providers. They can uphold their organizations' mission to promote health and wellness in their communities while improving the likelihood of collecting patient-owed balances. A third party patient financing partner can make it easier to administer payment plans while maintaining compliance with state and federal financing regulations.

For example, DeSoto Memorial Hospital in Florida partnered with CarePayment and saw average cash collected from self-pay accounts increase to 1.5% of net revenue, from less than .5% of net revenue. Such an increase would translate to more than $1.5 million in additional revenue and a profit improvement of 14% for the average hospital, based on the American Hospital Association's 2013 edition of AHA Hospital Statistics which states average revenue per hospital is $151.9 million and average profit is $10.7 million.

*"We were competing with the furniture store down the street and its two-year financing at zero percent. Without the same financing option at our hospital, people were buying a couch before taking care of their health,"*

says Dan Hogan, chief financial officer at DeSoto Memorial Hospital.

### 3. Convenience.

Finances have gone online and mobile, and patients as consumers want the same level of convenience and ease of use when it comes to healthcare transactions.

More than half of adults, or 51%, bank online while 32% bank using their mobile phones, according to Pew Research Center. Patients are no different: InstaMed found that two-thirds of patients normally pay their monthly bills, such as utilities and cable, online. An even higher number, 72%, would like to pay their healthcare bills online.

Like their online services with other consumer companies, patients expect doctors, hospitals and other healthcare organizations to offer access to their information and the ability to pay any time, from any device. Whether using a tablet, smart phone or computer, many patients prefer to manage their accounts online, from setting up automatic payments and checking balances to receiving electronic statements.

It also offers great advantages for healthcare providers. By developing consumer-friendly online options, they could increase patient collections, collect payments sooner, and streamline billing to lower costs. All while increasing patient satisfaction.

### 4. Personalized experience.

Thanks to gene sequencing and other research advances, medicine is leading the way in the ultimate personalization – individualized diagnosis and treatment. Coupled with the push for greater patient engagement in clinical settings, patients as consumers will increasingly expect a more personalized approach in other aspects of their healthcare experience, notably financial interactions.

They already are seeing it every day from other consumer-focused companies. Just as Facebook, LinkedIn and Google place ads and posts on users' pages targeted to appeal to their interests and preferences, healthcare financial operations need to make a greater effort to know and personalize their dealings with patients. As with the consumer leaders, technology offers a good place to start. Once providers put in place online payment systems or portals, they can gather other information and begin to get closer to patients, from learning and activating preferred contact methods and to sending targeted communications.

In the context of financial communications, take a page from the savviest retailers in the market who use personalized financial engagement – driven by technology – as the lynchpin of their success. Look look no further than your email inbox to find financing offers, pricing promotions, and loyalty programs designed to win business.

Personalizing the financial relationship between patient and provider will build on the foundation laid by offering clear and accurate prices, flexible financing and convenient account management options. Personalization will take the organization to a new level of performance, which in turn will raise patient satisfaction, loyalty and financial results.

## Patient-Centric Financial Operations

Making the necessary changes to address this consumerization of healthcare won't be easy. It needs to start at the first contact, which sets the tone for the entire patient experience and helps determine if a patient will proceed with care or not – at least with this particular institution. It also will require both major cultural and operational investments, including technology and staff training to enable timely pricing of services, to smaller ones, such as updating the language used in patient materials.

But both patients and providers have much to lose if business continues as usual. Patients can't be engaged in their care if they aren't getting care and providers can't survive if they aren't getting paid.

A more patient-centric financial operation, on the other hand, offers the opportunity to attract new patients, volume and revenue that will drive improved financial performance. It also could play an important role in building stronger patient relations, satisfaction and loyalty. With the move to value-based care and population health management, financial interactions will provide a critical building block to consumer-directed healthcare and its goal of improved outcomes and lower costs.

While most providers will need to transition over time to this new model, a good starting place is the Healthcare Financial Management Association's recently released best practices on patient financial communications. HFMA lays out guidelines for dealing with patients in advance of any medical services as well as for the emergency department and at time of service for non-emergency care.

For all settings, its recommendations that providers:

- Take the initiative to discuss financial matters with patients
- Include patient perspectives when developing language and scripts for such discussions
- Train patient access staff who are charged with having these discussions on financial assistance policies, common coverage solutions for the uninsured and underinsured and customer service
- Invest in technology that gives financial representatives up-to-date information about patient balances and financial obligations

Tackling financial matters pre-service and at point of service benefits both patients and providers. Understanding the cost of services, their insurance coverage and their individual financial responsibility enable patients to make informed decisions. It's also helps providers drive patient demand and loyalty by helping deliver on patient expectations for greater pricing transparency, financing flexibility, convenience and personalization.

**First Impressions Count: Point of Service Financial Communications Best Practices**

Emergency care aside, patients will increasingly be comparing doctors, hospitals and other providers before spending their healthcare dollars. While quality and skills will always be important, so will non-clinical patient services. That makes patient access, including pre-service and point of service such as registration and admissions, so critical.

When it comes to financial issues in particular, point of service best practices are evolving rapidly as patients assert their wishes more clearly. Adding urgency to the shift is growing evidence that a point of service focus can reduce the time and cost of collecting patient-owed bills and increase total self-pay collections.

Supported by technology that enables real-time access to patient information, state-of-the-art point of service processes enable a provider to:

- verify identity, address and other patient information
- screen for charity care
- confirm insurance eligibility
- estimate prices, including specialists and other services
- offer a discount for prompt payment
- discuss financing options and enroll interested patients in payment programs
- review ways to pay – mail, phone, online
- collect email addresses and help patients enroll for online services

Pre-service and point of service, providers also should explain and even sign up patients for technology-based capabilities, including online access and bill payment options to electronic statements.