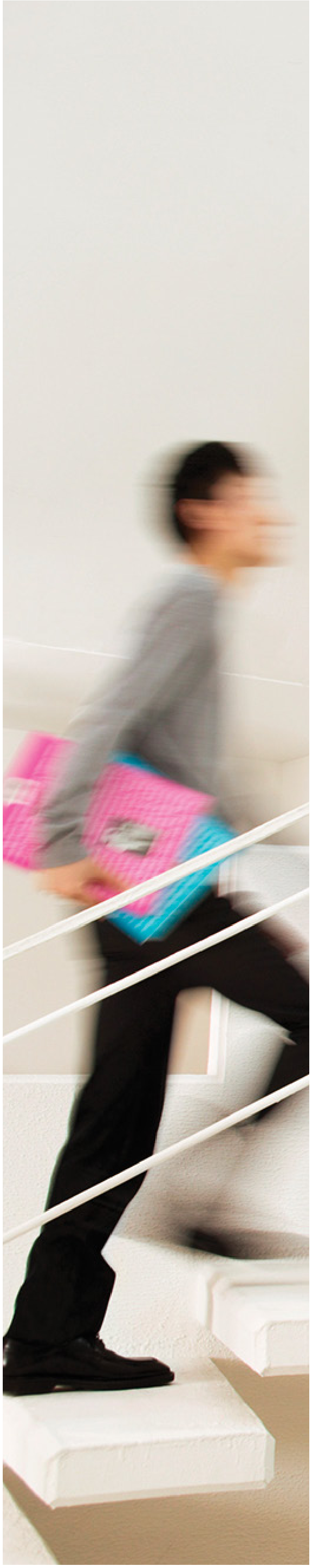

WHITE PAPER

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Financial Engagement for the New Healthcare Consumer: A Best-Practices Approach

The rising tide of healthcare consumerism is permanently altering the financial landscape, pushing patients to assume more responsibility for their medical costs and for providers to rely more heavily on individuals for revenues. With these changes, new healthcare consumers are looking to providers for more than clinical care. They need help understanding and managing the financial aspects of care.

Healthcare organizations are realizing that patient financial engagement is in their best interests, too. Engaging new healthcare consumers financially is becoming the first step to engaging them clinically, which is central to providers' efforts to lower costs and improve outcomes through population health management and related initiatives.

A widening affordability gap already is threatening the goals of accountable care. As the number of people with high deductible health plans doubled from 10% in 2009 to 20% in 2013, many working-class and middle-class Americans have found themselves struggling to afford necessary medical services. One in four privately insured individuals said they could not cover an unexpected major medical expense, according to a recent Associated Press-NORC Center for Public Affairs Research survey. Moreover, 19% didn't go to the doctor when they were sick, 17% skipped a recommended test or treatment and 18% didn't get a physical exam or other preventative care because of costs.

Not only would patient financial engagement help close that affordability gap, it would bolster provider finances. Facing declining reimbursements and the move to risk-based contracts, providers are increasingly dependent on patient payments but find it difficult to manage the added focus from mainly corporate and government payers to significant patient due balances. As a result, 85% of hospitals either have no monthly cash collection goal or consistently fall short of their goal, according to a survey by *Healthcare Finance News* and RelayHealth. The average hospital recovery rate for patient-owed balances is a meager 16%, according to ACA International. Not surprisingly, then, the average median debt for providers has climbed 44% to approximately $39 million since 2009, says Moody's Investor Service.

What providers need, then, is a strategic and holistic approach to patient financial engagement. It starts by broadening the definition of care to include revenue cycle operations, which have a profound role to play in patient satisfaction and health outcomes as well as increased collections. Just as providers are offering clinical services and support outside of their four walls to cut readmissions and achieve other key health goals, expanding financial services and support will clear the way for more patients to proceed with necessary treatment and to pay for that care.

An effective patient financial engagement program calls for rethinking and reworking nearly every step of the revenue cycle to better accommodate the needs and demands of new healthcare consumers. It requires updating processes, technology and training, plus patient outreach and marketing, to achieve a best-practices workflow, but the return on investment will be sure and swift. The result: A revenue cycle adapted to the new era of consumer-directed care that gives providers the critical platform for managing and optimizing patient financial engagement.

Begin at the Beginning

Like many things in life, patient financial engagement works best early and often. Just as with a health issue, catching and dealing with financial concerns before they become more serious generally leads to better outcomes for all involved.

This new approach admittedly requires cultural and even societal adjustments from both consumers and their healthcare providers. While it's unthinkable in virtually any other financial transaction to wait 30, 60 or even 90 days after purchase to find out the price and then pay, healthcare has long operated in this fashion.

As healthcare consumers seek a more retail-like experience, it's essential that healthcare become more like other consumer industries. New healthcare consumers are expecting a wider range of patient financial services. And at the top of just about everyone's list, according to a recent survey of more than 400 patients who have used CarePayment patient financing, is knowing price and payment options before moving ahead with care:

- 95% say it's important to know the total cost of a medical procedure up front
- 96% want to understand their payment options up front

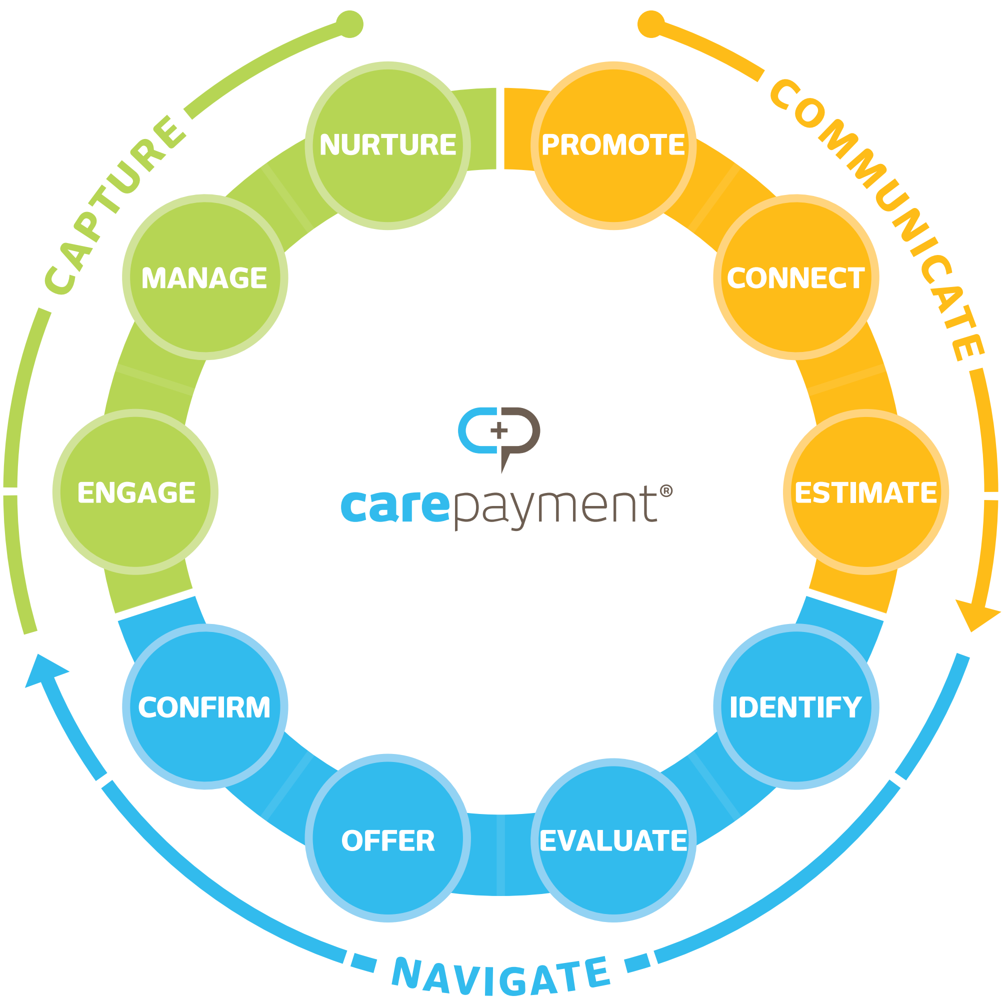
Shifting the basic financial interaction for care to the start or near the start delivers significant benefits for hospitals, medical groups and other healthcare organizations as well. Of course, the best-practices work flow builds in other opportunities along the revenue cycle to financially engage patients, but it's clear that patient clinical engagement, satisfaction and propensity to pay rise sharply when financial issues are satisfactorily resolved at the start of the care process.

Three Stages for Financially Engaging Patients

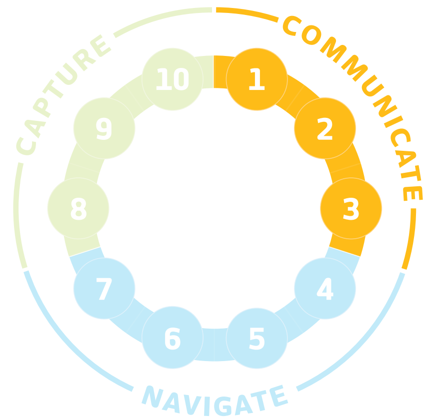
Relatively few providers are currently equipped to discuss and arrange financial services and payment options up front with every patient. They also must overcome the hurdle of long-standing payment behavior. Conditioned to wait to find out their financial obligation when medical bills arrive months after treatment and insurance pays its share, patients are often caught off-guard if asked to make financial arrangements beyond meeting their co-pays, especially as many feel ill or stressed about their health.

Providers that implement best practices for patient financial engagement can address those concerns and more. Complementing the Healthcare Financial Management Association's best-practices for patient financial communications, the 10-step workflow enables healthcare organizations of all sizes to successfully update their revenue cycle to financially engage patients in compassionate and practical ways.

The steps are grouped into the progressive sequences of communicate, navigate and capture. Together, they offer a roadmap for discussing what patients need and want to know about their medical costs and payment options and helps providers help patients make financial decisions. As a result of providing the right information at the right time and a better financial experience for patients, providers then earn their loyalty and increase their satisfaction.



ACTIVELY COMMUNICATE



Step 1: Promote financial programs pre-service. When it comes to healthcare marketing, providers generally focus on promoting clinical expertise, rankings on "best" lists and amenities. They should add financial services to their outreach efforts. As consumers increasingly shop for medical care, they are choosing hospitals, physician groups and other healthcare providers at least in part on how they handle patient financial matters.

From prominent website placement, media coverage and advertising to facility banners, posters, brochures and other marketing materials, promoting patient financial services is a highly visible declaration that a provider cares about patients' physical *and* financial health. It clarifies for both parties the expectations surrounding payment, offering patients peace of mind about how they are going to pay and reducing the provider's time and effort spent trying to collect unpaid patient balances.

Step 2: Connect in multiple ways. Consumers like to communicate in different ways, from in person and text to email and phone. Reaching out in a variety of ways gives patients convenient choices for interacting with providers, eliminating missed opportunities to provide the financial help they need to receive treatment. Once a consumer makes clear their favored method or methods of communication, providers can build stronger ties to patients by personalizing their communications to cater to those preferences. Some of the steps revenue cycle and patient access staff can take to facilitate alternative communication options for patients is to evaluate and update intake documents to include requests for email addresses, communication preferences and consent. By capturing this information up-front, providers can offer more convenience to patients and can employ more cost effective means to conduct outreach. For example, autodialing or texting cell phones would be compliant with the Telephone Consumer Protection Act regulations throughout the revenue cycle if a patient's express consent for these practices can be gathered during the admission process.

Step 3: Estimate patient balances. Not knowing how much care is going to cost can add more tension and uncertainty to an already stressful situation for many patients. Giving patients a reasonably accurate idea of their obligation allows them to make informed, confident decisions about their care and payment options. Accurate balance estimation entails integration of real time verification of benefits and managed care contract pricing as well as additional training for patient access staff.

NAVIGATE FINANCIAL OPTIONS

Once the patient financial obligation is established, it's the provider's responsibility to help patients reach a payment decision. This step-by-step approach maximizes the success for both patients and providers. But it does represent some major changes, including helping staff develop a willingness to have what are sometimes tough conversations. It also demands strictly enforced formal policies and procedures so they apply to every patient and reining in any staff members inclined to freelance on payment screening and options.

Step 4: Validate patient identity. Verifying a patient's identity in real-time is an important step before providers can work with patients to arrive at an acceptable payment method and for subsequent communications. The ability to access the right identification information up front is directly tied to the provider's ability to collect. So investing in validation tools and staff training for effective use reduces medical fraud and increases collections. Done routinely, promptly and matter-of-factly, a smooth and efficient process also raises patient satisfaction.

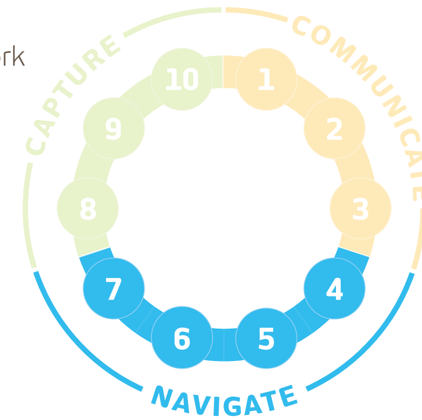
Step 5: Evaluate ability to pay. Having a real-time reference to financial likelihood to pay can literally make all of the difference in helping identify a viable payment option for both the patient and the provider. It enables patient access staff or financial counselors to quickly access information that might indicate an eligibility for financial assistance or Medicaid or similar financial measures. With calculated patient due portions combined with financial indications, the provider's staff can segment patients for appropriate potential financial options. Evaluating the ability to pay is a critical component to ensuring as many patients as possible receive the help they need, as well as reducing time to collect and bringing efficiency to the process.

Step 6: Offer customized payment options. This is the moment of truth for the many patients who don't have cash on hand or access to credit to cover their out-of-pocket costs. The ability to assuredly present the patient due portion, but to also effectively configure payment terms that fit their budget is the real key to patient financial engagement.

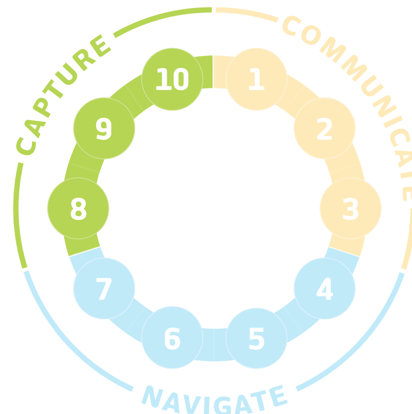
With a full menu of payment options, providers can then draw on the identification and ability to pay information to discuss payment. They are in a strong position to offer suitable payment programs or ask for cash, check, or charge. For patients, knowing they have choices and talking them over can help them reach a decision that works for them without forcing them to forgo care or making extreme financial sacrifices. By putting the patient in the right plan and for a workable payment amount, providers can realize a more predictable cash flow, reduce re-work and bad debt and help people get needed care without the worry of how to pay. At this point in the process there should be a plan for every patient.

Step 7: Confirm patient's payment choice. This step seals the deal. Allowing patients to actively participate in the selection of payment arrangements and to manage their medical expenses over time has proven very successful and is why more providers are introducing or expanding such financing programs.

Patients agree to an action plan for paying their bill, from paying a deposit in cash to enrolling in a financing plan, they are given the appropriate customized paperwork and instructions indicating the financial next steps and confirming the plan. Again, this patient participation and approach solidifies buy-in, reduces confusion and reduces likelihood of non-payment.



CAPTURE PATIENT GOODWILL AND REVENUES



Step 8: Engage patients after care. Patient financial engagement does not end with treatment and discharge. Reinforcing the patient's commitment to paying their bills and offering flexibility to access balances, a variety of payment methods and consumer financial tools all through an array of communication channels; ultimately simplifying the experience for the patient. Consumers want a tailored experience that offers something in return, even if that something is time back in their lives, that's valuable and value leads to loyalty.

Step 9: Actively manage accounts. An effective follow-up and support process maximizes dollars collected and creates a loyal consumer. In this busy world, patients benefit from regular communications, notably by sending statements and account updates, using preferred communication modes, such as electronic or paper statements. Ensuring patient data is managed well and balances are clear and reflective of the expectations set forth in the patient financial process is paramount to the ongoing satisfaction with the experience. Having tools available to provide such data management along with online patient access creates a shared responsibility to communicate and stay connected for the benefit of both parties.

Step 10: Nurture patient loyalty. Providing access to financial services and options deepens patient relationships and encourages loyalty. People increasingly judge hospitals, physician groups and other healthcare providers based on how they handle patient financial matters. And they are taking action, rewarding providers that offer affordable payment with increased satisfaction and referrals. According to the CarePayment survey of more than 400 patients that have used CarePayment financing programs:

- 88% became more satisfied with their providers after they began offering CarePayment
- 86% of customers are more likely to recommend medical providers that offer the CarePayment program to help pay medical bills
- 80% of customers are more likely to return to a provider for additional care because they can use CarePayment to pay their medical bills over time
- 73% say the availability of CarePayment would influence their decision in choosing one provider over another

By coupling ongoing outreach to patients about their clinical services including preventative care with information about their financial services, providers will increase the likelihood of patients returning to their facilities when they need care.

Best Practices Workflow Creates Virtuous Circle

Removing financial barriers to care delivers important benefits to patients and their healthcare providers. Using best practices for patient financial engagement raises the bar and the results considerably higher still.

These best-practices are designed as a kinder, gentler way to expedite the financial process for providers and their patients. They work to engage new healthcare consumers throughout, helping them become comfortable with their choices and enabling them to make informed decisions as early as possible.

Patient financial engagement helps eliminate a major source of anxiety and uncertainty when people can be facing serious unknowns about their health and recovery. Once they have their finances sorted out and a plan to pay, they can engage clinically, focusing on getting care and getting better. Patient financial engagement, in turn, drives stronger financial and clinical performance outcomes for providers.

The 10 steps for optimizing patient financial engagement cover the complete arc of the healthcare revenue cycle. They create a virtuous circle for doing good, doing good business and getting better at both.