SELF-PAY COLLECTIONS BEST PRACTICES
Guidelines for increasing compensated care from patients who can pay.
INTRODUCTION

The American Hospital Association reported that in 2012, U.S. hospitals provided $45.9 billion in uncompensated care. This represented approximately 6% of annual hospital expenses and was nearly $5 billion more than 2011. Since 2006, uncompensated care has continued to increase by approximately 8% annually. (See Figure 1)

Even the best-performing hospitals admit that there is much room for improvement in managing patient receivables associated with bad debt expense. It is estimated that 2% - 4% of additional patient collections could be captured with enhanced procedures.

The effective resolution of the patient portion of bills associated with clinical services continues to challenge providers and patients. Just the mere mention of the word "collections" is often intimidating to both parties.

The major challenge of collecting bad debt is that many providers have not embraced industry “leading practices.” Therefore, it seems that within “industry” there is room for improvement when it comes to implementing and following through with proven collection practices throughout the process.

EVEN THE BEST-PERFORMING HOSPITALS ADMIT THERE IS ROOM FOR IMPROVEMENT

FIGURE 1

UNCOMPENSATED CARE COSTS AT REGISTERED COMMUNITY HOSPITALS

10 years of data strongly suggests that uncompensated care costs are well on their way to $50 billion.

SOURCE: HEALTH FORUM, AHA ANNUAL SURVEY DATA 2012
SELF-PAY COLLECTIONS BEST PRACTICES

KEY ELEMENTS OF PURSUIT

TWO WAYS TO MINIMIZE THE SENSITIVITY OF PURSUING PATIENT BALANCES

The first is associated with hospitals and physicians providing a “patient advocacy” practice that insures that every patient who can afford to pay is provided an opportunity to reimburse the provider for his/her medical services.

The second is a “patient-friendly” process which should provide that all financial communications be correct, clear, and concise. By embracing these state-of-the-art practices, providers are supporting the sensitivity of the patient’s financial communication. Each practice should be well thought out and, more importantly, effectively executed and communicated.

PATIENT ADVOCACY

An effective “patient advocacy” program employs industry leading practices:

• **Same-Day Scheduling:** Patients desire prompt access to clinical care.
• **Online Registration:** Completion of necessary administrative paperwork prior to arrival allows for a simple check-in process upon arrival for care.
• **Kiosks:** For those technically savvy, a certain population desires to register using an electronic device versus human interaction.
• **Financial Counseling:** Educating patients on their financial options is an optimal patient friendly process.
• **Medicaid Eligibility Screening:** Assisting patients with obtaining insurance versus navigating through the red tape.
• **Disability Support Programs:** Assisting patients in need with the state and federal bureaucratic processes differentiates providers who leave the patient to navigate on their own.
• **Provide COBRA Compensation:** Patients who have recently become unemployed may elect not to have services because of the COBRA premium. Providers who cover the cost are more patient-friendly.
• **Medical Loan Programs:** Offering patients banking loan options are a less expensive alternative than the industry credit card option.
• **Payment Plans:** Accepting regular, reasonable payments on a standard frequency is known to be patient-friendly.
• **Charity:** Providing community benefit based on federal poverty guidelines for those that cannot afford to pay is optimal.
• **E-statements:** Patients often prefer an electronic version of their financial billing statement versus a paper statement.
• **Computer-Assisted Coding:** Using technology to code industry procedures and diagnoses reduces cost and aids in a more timely patient billing process.
• **Coding Documentation Improvement Program:** Enhancing clinical documentation through technology and communication with providers enhances the patient’s medical record and ultimately their clinical pathway.
• **Denial Management:** Providers who manage rejected services internally versus automatically engaging the patient create a much more patient-friendly service.
• **Online Patient Education Programs:** Allowing patients access to view provider policy and procedures, understanding billing and understanding administrative expectations and the process promotes a less stressful patient experience.

GIVE PATIENTS THE OPPORTUNITY TO PAY FOR THEIR CARE
KEY ELEMENTS OF PURSUIT (CONT’D)

- **Monthly On-site Patient Advocacy Training**: Creating a face-to-face interaction with the public regarding the administrative and clinical processes minimizes the stress associated with receiving clinical care in the billing process.

- **Collection Agency Associations**: Engage third-party “state regulated” and “patient friendly” agencies to assist with collections.

- **Debt Buyer Partnership**: Finding the optimal agency to purchase uncompensated reimbursement using a strong patient advocacy process that mirrors the culture of the provider.

A report developed by the Medical Debt Collection Task Force and assembled jointly by the Healthcare Financial Management Association (HFMA) and ACA International: The Association of Credit and Collections Professionals (ACA) verifies and supports the above recommendations.

**THE THREE C’S OF PATIENT ADVOCACY**

The second component to supporting “patient advocacy” is to ensure that all efforts are patient friendly. A three C’s approach is paramount to success when it comes to patient-friendly financial communications:

- Billing statements should **CORRECTLY** reflect the financial elements of the episode of clinical care, **CONCISELY** contain detail to effectively communicate the message, and **CLEARLY** express what actions are required by the patient in order to resolve any patient amount due.

  The need for healthcare services can unexpectedly arise at any time for anyone. Such unforeseen incidents only add more distress to the billing process. This is all the more reason why providers must ensure that they not only offer “state-of-the-art payment options,” but also employ a communication process that is correct, clear, and concise.

  Have you ever received a utility statement and didn't understand what you owed, or even worse, the balance didn't make sense? Billing systems that don't adhere to the three C's can leave patients feeling the same way.

  Whether one has insurance or not, medical debt impacts everyone receiving healthcare. The new healthcare reform created an industry assumption that self-pay would decline or maybe even be nonexistent. It is now very evident that this is not the case and, in fact, there are now higher out-of-pocket costs to the patient and a decline in collections of those balances to the provider.

  Fifteen percent of the U.S. population does not have health insurance and almost half of the U.S. population has outstanding medical bills that average from $8,000-$10,000 per person. And while it would seem that this is a big part of the bad debt problem, it is not where the great opportunity lies to reclaim compensation from self-pay patients.

**RECOMMENDATIONS**

Some recommendations to honor patient rights and improve the medical billings process.

- Establishment of reasonable payment programs
- Regulation of charity care programs
- Offering of clear income discount policies and medical prices for low-income patients
- Ensure collection agency support/partnerships are regulatory compliant and an extension to the provider’s business office with a patient-friendly approach.
It is reported that over 60% of medical debt complaints are made by patients that have insurance coverage. In addition, more than 70% of people who filed for bankruptcy because of medical bills had insurance coverage. The National Consumer Law Center has reported on the growing problem of abusive medical debt collection processes. They included everything from not offering charity care to denying future care for patients with an outstanding debt. Again, it is important to stress that offering the patient population various means to pay their bills is critical to patient satisfaction.

At the end of the day, the definition of bad debt should be limited to patients who could afford to pay and were offered various alternatives to reimburse providers for the services provided, but who elected not to pay for services rendered. In that population, there is a percentage that clearly will not pay for something that they do not understand.

The public has become more cynical of healthcare billing. Horror stories of charging for services not rendered or the $20 aspirin have created a climate of distrust. All the more reason for the three C’s of financial communications in healthcare.

The recently proposed regulations under Section 501(r) of the Internal Revenue Code are an attempt to standardize the process, but in many respects still fail to set specific mandates for providers. What the proposed regulations do spell out is that a patient should understand the process and know his/her options.

Too often providers engage third-party collection firms that are not legally compliant in the industry and/or do not employ patient-friendly practices.

It is well known in the healthcare industry that even though you may provide the best clinical care, a poor administrative and financial communication process will totally destroy the brand and reputation of the healthcare provider. Use of a third-party collection firm is a best practice if—and only if—you have a premium partner.

THE FOURTH “C” IN EFFECTIVE COLLECTIONS

Providers who offer various options to their patients and communicate well with the public are most likely to survive the wave of the future with patient consumerism.

The leading practices to support “Patient Advocacy” denoted in this article and the three C’s of patient financial communications are crucial to the success of collecting patient amounts due.

The fourth and final “C” is Capio Partners. We meet industry regulatory requirements, are a patient advocate and friendly partner who can help you improve your bottom line.

We invite you to include Capio Partners as part of your self-pay collections strategy. Or if you’d like to test the waters and see if we can work together to maximize your collection efforts, while enhancing patient satisfaction and compliance, please contact:

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