A PATIENT-FRIENDLY APPROACH TO COLLECTING FROM THE UNDERINSURED

A comprehensive revenue cycle strategy for a new era in self-pay
INTRODUCTION

Industry experts estimate that patient self-pay payments make up more than 30% of a practice’s total annual revenue. That puts providers at risk of losing one-third of their cash flow unless they have a strategy designed to maximize collections of self-pay dollars directly from patients.

And while it would seem self-pay is going away, it’s not. Here’s why:

- Patients are only 60% covered under the Affordable Care Act
- National out-of-pocket expenses will rise to more than $400 billion by 2016 (Fig. 1)
- Nearly 30% of Americans are enrolled in employer high-deductible plans
- Self-pay is the third most common form of compensation behind Medicare and Medicaid
- Underinsured patients are becoming less collectable

Mandated coverage in 2014 will increase basic insurance plans, leaving the patient to cover up to 40% of the cost of their care. Thus, self-pay takes on new meaning as more Americans become insured under the new healthcare laws. Moving forward, “insured” doesn’t necessarily translate to “covered.” Thus, self-pay refers specifically to patients who can afford to pay and are unwilling to do so.

While some providers have resolved to outsourcing the entire collections process, some providers prefer to handle most—if not all—collections internally. To do this successfully requires best practices and policies that, when properly executed, result in higher returns and greater overall efficiency in the collections process.

“This white paper outlines a comprehensive strategy for collecting self-pay accounts and proposes a solution providers can use to maximize revenue for early stage self-pay accounts as well as those which have been deemed “uncollectable.”
ENROLL, EDUCATE & ADVOCATE FOR THE PATIENT

To optimize the revenue cycle from end-to-end, providers will do well to implement a strategy that a) makes patients more likely to pay their bill before it becomes bad debt and b) explores alternatives to writing off bad debt.

**Doing this successfully involves:**

- Creating a clear & present self-pay policy
- Providing payment options & incentives for early payment
- Creating a culture for patient advocacy
- Adequate internal talent & resources
- A trusted partner to help with uncollected balances

A number of high-profile providers use similar strategies to maximize both early and late-stage self-pay collections while maintaining good standing with patients and the community, including former Executive Director of Cleveland Clinic, Lyman Sornberger, who says:

“Loan programs, estimator tools, propensity to pay, early out programs, effective payment plans, selling debt, etc., are no longer ‘nice to have; they are HAVE to have. If you don’t have them now; you should be exploring them.”

**FIGURE 1**

OUT-OF-POCKET HEALTH CARE COSTS ARE ON THE RISE

National spending for out-of-pocket health care costs is projected to steadily increase over the next four years to well over $400 billion.

Source: National Health Expenditures, Centers for Medicare & Medicaid Services, Office of the Actuary

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CREATING A CLEAR AND PRESENT SELF-PAY POLICY

At the core of every great relationship, you’ll find good communication. It’s all about setting boundaries and clearly establishing where expectations lie on both sides. This is no less true between patients and providers than in the average marriage. And like wedding vows, an up-front agreement between the provider and the patient helps set expectations and galvanize the patient’s commitment to pay for the care they receive. This can often be done in the form of an easy-to-understand notice to patients that is carefully reviewed together with a representative of the practice up-front. Such a notice might contain language like:

Your good health is our number one concern. Quality care is the result of communication and understanding between you and your care provider. This policy ensures that you clearly understand your responsibilities as a self-pay patient and includes payment options that can help you reduce your bill by up to 30%.

We require that all of our patients pay for their care when they receive it. This allows us to continue to provide you with affordable quality care. If we present a charge to you that you don’t understand or agree with, please let us know. We want you to be comfortable that you are getting the care you deserve based on the fees for that care...

Establishing expectations up-front helps patients understand and appreciate their obligation as self-payers and instills in them a sense of duty to pay for the services they receive. And, should the account go unpaid long enough for it to become bad debt, this up-front focus on the patient’s self-pay responsibilities serves as a reference point and reminder as to what the initial agreement was between them and your practice.

- When they call to schedule an appointment, gently remind patients of your policies.
- Have a sign-in sheet at the check-in desk that asks how the patient will be paying.

Do your best to classify patients early on as charity care versus able but unwilling to pay. To do this, be sure to provide patients with every opportunity to pay. When they call to schedule an appointment, gently remind patients of your policies.

PROVIDING PAYMENT OPTIONS & INCENTIVES FOR EARLY PAYMENT

New regulations in section 501(r) require providers to disclose their entire revenue cycle management policy. This means the patient must be made aware of how you intend to handle their account should they be unwilling to pay. The following options for payment should be offered or explored up-front:

- Cobra for unemployed patients
- Charity Programs
- Credit Card
- Loan Option
- Payment Plan Option

It is also required that you disclose your intent to turn over the account to a collection agency and/or sell their account to a third party.

You must also inform the patient if you:

- Will report their account to a credit bureau
- Impose liens for unpaid accounts
- Charge interest on unpaid balances

Patients see the practice as being more flexible and, as a result of this payment options model, collections have improved and patient no-shows have been reduced.

By offering payment options early, you as a provider will instill a sense of confidence in the patient that you want what’s best for them.

FIGURE 2

OPTIONS FOR EARLY PAYMENT

**PAY THE BALANCE IN FULL**
UP-FRONT AND RECEIVE 30% OFF

**PAY HALF THE BALANCE**
UP-FRONT AND THE REST WITHIN 30 DAYS AND RECEIVE 20% OFF

**PAY A MINIMUM PAYMENT**
UP-FRONT AND MAKE ARRANGEMENTS WITH THE BILLING DEPARTMENT

A discounted bill for early payment is worth more than a bill that is mostly unpaid after 120 days. To promote early payment, one clinic in North Carolina offers three options. (Fig. 2)
CREATING A CULTURE FOR PATIENT ADVOCACY

The key to creating the right culture is creating an environment where your employees (or those of your partner) truly want to help your patients understand and resolve their bills. This fundamental premise has seen many organizations move from a “collector” mentality to a “financial counselor” mentality.

A best practice is to divide duties and roles among collectors into two distinct buckets. The goal of this process is to help patients reach a clear level of understanding regarding their bill and, ultimately, move them into BUCKET 1.

BUCKET 1 - Patients who understand what they owe and need to talk through payment terms, settlement strategies, etc. These patients should work with a staff member who is skilled in determining each patient’s specific set of circumstances and can advise them on the best payment option to fit their needs.

BUCKET 2 - Patients who simply do not understand what they owe and/or why they owe it. These patients need to work with an “education-minded” staff member. These team members should be prepared and willing to dig into every layer of the account and explain in great detail how and why the patient responsibility came to be.

When following up with patients who still owe on their bill, it is crucial that callers avoid threatening behavior that can put the patient on the defensive. To avoid this, make sure your policies include follow-up that is predicated on the idea of “helping” the patient versus “collecting from” the patient.

With these guidelines in place, patients will be made to feel that the provider is on their side and willing to work with them to come to a mutually beneficial resolution regarding any outstanding or unpaid bills.

DO

• Empower and train your team members to strive for 100% resolution on every call.
• Encourage team members to listen to each patient thoroughly and with compassion.
• Reward the right behavior and outcomes with your team (whether through bonus structures, department lunches/rewards or simply through broadcasting recognition freely and regularly).
• Use call recordings as learning experiences, not just grading tools.

DON’T

• Overemphasize measurements that are not satisfaction oriented (i.e. call time limits, number of calls, etc.)
• Outsource patient contact functions to overseas locations, where communication skills and lack of understanding of the U.S. healthcare system can be an issue.
ADEQUATE INTERNAL TALENT & RESOURCES

Asking for money and getting it is a rare and special talent that involves a unique blend of people skills and systems management. So, rather than rely solely on the billing department to handle all matters of collections, have a dedicated collections specialist in charge of both the face-to-face aspects and the procedures required to collect from self-pay patients. Having the right person to handle the following types of tasks can mean the difference between a collections process that works and one that doesn’t.

- Writing “scripts” used in the collections process
- Dealing directly with patient billing conflicts
- Organizing patient pay information
- Collecting co-pays and balances at the time of service
- Collecting pre-pays

Having the right technology in place can also mitigate some of the pitfalls of collecting self-pay accounts. For example, software solutions are available that can help with compliance and optimizing the number of times a patient is contacted in an effort to collect on a balance due.

Such software works by uploading recordings of every call and is then able to parse through this data to look for key words, terms, etc. For example, to ensure that all collecting agents are in compliance with the required script and approach, the software can search recordings for this verbiage on every call.

The system then provides a report of every call that met the requirement and every call that did not. This information can be used to reward collectors who are doing their jobs correctly, as well as retrain those who are not.

Some systems can also look for high-risk situations, such as the word “attorney” or “lawyer” coming up in conversation. While not cheap, the cost for this type of system is more than offset by fewer compliance FTEs being needed, increased collector productivity and fewer lawsuits over purported violations.
A TRUSTED PARTNER TO TAKE OVER SLOW-PAY AND UNCOLLECTED BALANCES

One of the most prevalent risks of collecting self-pay accounts, especially aging ones, is the fear of damaging the provider/patient relationship. However, there are measures that can be taken to reduce this risk by collecting on the account before it reaches a certain age.

Once you have given patients every opportunity to pay, writing off their debt may not be the best option. It's possible to recoup some of the effort expended in attempting to collect unpaid balances as they age by selling the debt to a trusted third party. To help mitigate some of the risks involved in this practice, it helps to have a relationship with a firm that specializes in uncollected accounts. Choosing the right partner for this is critical and should take several criteria under consideration:

- How much more can be collected while keeping the relationship with the patient healthy?
- Are the partner’s systems compatible with yours?
- Do we share the same values when it comes to policies and procedures?
- Can I sell the uncollected balances to the partner for more than I would be able to collect on my own?
- Does the partner have a reputation for maintaining patient satisfaction throughout the collection process?
- How have other providers benefitted from partnering with this particular vendor?
- Does the partner offer a low-risk trial period?
- What is the clear advantage of selling uncollected balances versus outsourcing collections?
- What resources can I free up by selling slow self-pay accounts at one year instead of two, three or four years old?

ON AVERAGE, 50% OF ALL SELF-PAY GOES UNCOLLECTED

If a balance is still unpaid after 180 days, the cost of recovery can increase to 25-50% of the recovered amounts. And on average, 50% of all patients’ financial responsibility goes uncollected.

Tightening the revenue cycle by selling accounts to a trusted third-party can free up human resources and—with the right partner—keep the patient experience positive throughout the entire revenue cycle.

FIGURE 4

AS COLLECTION COSTS INCREASE THE VALUE OF RECEIVABLES DECLINE

The likelihood of collecting unpaid balances decreases rapidly as they age while the costs of collecting them eventually exceeds the value of the account.

SOURCE: 2008 MCKINSEY CONSUMER HEALTHCARE PAYMENT SURVEY
SUMMARY

The best practices and philosophies presented in this white paper reflect the manner in which Capio Partners approaches the collections process. We share these best practices with you because they have proven critical in our mission to provide a practical alternative to writing off bad healthcare debt with the assurances of:

- Successful efforts in collecting more out-of-pocket dollars
- Increased cash flow as a result of patient-centered collection
- Minimizing risks associated with outsourcing the collection of bad debt
- Keeping in compliance with collections-based government regulations

“Capio has become our only partner when we choose to convert bad debt to cash. They’re very competitive on rates and extremely flexible on buy-backs. They also are excellent in communicating with our patients and treating them with the same level of dignity and respect that we do. All in all, this has become a very easy and very successful partnership.”

- LUKE MEERT, DIRECTOR OF ACCOUNTS RECEIVABLE, BOTSFORD HOSPITAL

Ideally, the patient-provider relationship would be healthy enough to avoid the need for late-stage measures such as selling uncollectable accounts to a third party. Unfortunately, as the landscape changes and more responsibility is put on the patient to reconcile their medical bills, the need for progressive, unconventional measures for collecting money owed is increased. So, to minimize the amount of uncollected debt, providers can employ the practices of:

- Creating a clear & present self-pay policy
- Providing payment options & incentives for early payment
- Creating a culture for patient advocacy
- Adequate internal talent & resources
- A trusted partner to help with uncollected balances

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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Learn more about Capio’s patient-centered approach on our online video page at: j.mp/capvids