Once again, hospital collections are about to undergo a major transformation. Over the last decade hospitals have made great strides toward designing sophisticated and patient-friendly collections programs. Driven by a call to increase transparency, improve the patient experience, and minimize IRS scrutiny over community benefits, hospitals now offer everything from easy-to-understand patient statements to front-end help with Medicaid eligibility and charity assistance programs. They use state-of-the-art analytics to examine entire portfolios, and to improve self-pay collections recovery and overall costs.

Despite these advancements, such programs may not be dynamic enough for what’s around the corner. As the Affordable Care Act (ACA) goes into full swing, it is a brand-new day in self-pay collections. These changes will affect the ability of a hospital and its collections partner to forecast recovery rates and assign workflow in self-pay collection programs. Specifically, hospitals can expect to see three key changes to self-pay collections in the next 12 to 24 months.

1. **A New Financial Class Is Being Created.** With the ACA comes a new patient financial group. These are patients who are either newly insured, or whose insurance has changed under the ACA. Although patients have gone from no insurance to being insured, their ability to pay does not change. With new insurance, these patients will likely have a balance after insurance. Because this is a new financial class, there is much uncertainty in their ability to pay.

2. **True Self-Pay Financial Class Dollars Will Likely Drop for Most Providers.** True self-pay financial class dollars, although a large portion of the overall A/R, typically will only liquidate between 3 to 5 percent. As increasing numbers of uninsured patients gain insurance through the new healthcare law, that same population will no longer show up in this financial class, causing true self-pay dollars owed to hospitals to be reduced.

3. **Balance After Insurance Financial Class Dollars Will Increase.** Today, balance after insurance financial class dollars typically will liquidate between 28–32 percent. Knowing that there will now be a shift in dollars from the true self-pay financial class to the balance after insurance bucket, the number of dollars attributed to patients with a residual balance after insurance (from deductibles and co-pays) will increase.

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Get ready for the new changes to self-pay collections

- Create processes to identify new self-pay financial classes now.
- Review and update analytics and automation.
- Update forecasting plans: Is your partner asking the right questions?
- Collaborate only with those who have a strong healthcare track record.

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By Don Wright
Senior Vice President, Self-Pay Operations, Parallon
Are You Ready to Identify the Shifting Financial Class?

What does it all mean for hospitals? From a top-level perspective, the new patient financial class will affect a hospital's ability to evaluate and compare new statistics to historic statistics and liquidation rates. It is essential to capture this shifting financial class properly in order to develop new strategies and work efforts. If not, organizations and their collection partners are likely to experience higher costs by focusing misguided activities on uncollectable dollars as well as overusing technology, automation and other headcount resources. There is also a greater potential to miss out on opportunities to identify charity care candidates.

Be Proactive

While many organizations now excel in areas such as Medicaid eligibility and financial assistance screening, it is important to also focus on other important pieces of the puzzle. Hospitals need to determine when the former true self-pay dollars start to shift and how to address those shifts. This involves putting in place the tools, processes and partnerships that will help identify patients on the front end who have subsidized insurance and predict their ability to pay as they move from a true self-pay financial class to newly insured under the ACA.

Data plays a critical role in the new world of self-pay collections. Start reviewing current processes that use performance analytics, scoring and segmentation, and automated workflow that impacts collection programs. These tools will need to be modified as you begin to understand the new patient financial class. For example, analytics programs will now need to provide detailed information about whether or not the same people who had difficulty paying before when they were uninsured, will be able to pay with subsidized insurance (residual balances) under the ACA. This new information will assist in changes to not only collection activities but also to charity care and financial assistance programs.

Smart Collaboration Tactics

Hospital performance in this new era of self-pay collections also depends on having strong internal and external partners who are skilled at gathering specific data and know the appropriate questions to ask. These collaborators will be instrumental in updating your forecasting plan for recovery rates and creating advanced workforce strategies to help identify the new financial class and the changes in a consumer’s ability to pay.

Given the depth of changes happening in self-pay collections, your partner should be 100 percent healthcare focused, understand the entire healthcare revenue cycle, and place a high priority on patient experience and quality. Start having conversations with your partners today. A primary question to ask your vendor is what tactics they will use to identify subsidized insurance provided through the exchanges? While so much of this is still unpredictable, ultimately, you will know you are on the right path if you have the confidence in your organization’s ability to promote positive change as other forms of unplanned changes occur.