

5 Key Strategies for a Consumer-Focused Revenue Cycle



In today's market, the patient is no longer simply a passive receiver of services and procedures. Often the patient also takes on the role of payer, as deductibles and copays increase and employers continue to streamline health benefits.

This transformation to consumerism holds significant implications for the revenue cycle. As patients become more in control—and protective—of their healthcare dollars, they are becoming more discriminating purchasers. Many individuals are asking about price before receiving an MRI or total joint replacement surgery, just as they might do when shopping for other big-ticket purchases, such as a new laptop, couch, or car. It's becoming more common to see patients “shop around,” seeking the best healthcare deal that meets their needs.

This willingness to explore healthcare options is not only increasing the demand for price transparency among healthcare providers, but also raising competitive pressures. Organizational leaders are recognizing the need to provide a retail-like experience across the entire process of purchasing care or risk seeing patients go elsewhere.

With this in mind, this HFMA Action Brief, sponsored by CarePayment, highlights five key strategies that support a consumer-focused revenue cycle.

Listen to Your Customer

Retailers have long gathered intelligence about market perceptions of service, and hospitals and health systems are now following suit, demonstrating a keen interest in listening to patients' feedback about financial communications and interactions. In addition to surveying, some organizations are holding recurring focus groups with community members to better understand patients' views.

Metro Health, a 208-bed acute care teaching hospital in Wyoming, Mich., recognizes the importance of listening to its customers. When patients reported that aspects of the organization's financial statements were confusing, the hospital was quick to act. Administrators researched patients' perceptions and began making changes, including following industry best practices for patient financial communications.¹

These days, fonts used for statements are easier to read, and the layout includes a concise outline of packaged and bundled services without internal codes or medical jargon. Financial assistance information is prominent and comprehensive. Also, the back of statements provides clear information about charity care, discounting, and financing programs.

“Considerable effort has gone into communicating in a way that is most meaningful for patients,” says Ellen Bristol, Metro Health's director of communications and public relations. “Assessing readability and refining design has enhanced financial services for our patients.”

Provide Price Transparency

For years, retailers have competed with one another on best value and/or lowest price. With all its complexity, however, healthcare pricing has traditionally remained shrouded in mystery.

This dynamic is now changing, with many healthcare providers devoting significant time and resources toward providing patients with meaningful out-of-pocket cost estimates. Whether the process is done manually or using technology, revenue cycle leaders are finding ways to provide patients with the information needed to anticipate their financial responsibility and make more educated decisions about paying for care.

Ultimately, such patient financial engagement becomes important not only in how it affects the patient's experience but also in supporting a healthcare provider's mission to serve the needs of its community. If patients are confused about financial impact or perceive care to be unaffordable, they may be reluctant to seek services.

The process of verifying coverage and estimating out-of-pocket costs is very detailed at Mercy Health facilities in Cadillac and Grayling, Mich., notes Lori Weedon, patient financial services director. Up until a few years ago, patient financial services (PFS) staff did not even review a patient's deductible. “We would check to make sure the patient's insurance was active, and that was about it,” she says. These days, the organization is able to have a much more meaningful

conversation with the patient, relaying charges for anticipated services, the amount the patient's plan covers, the deductible, the amount outstanding to reach the deductible, and the copay.

Weedon says providing preservice estimates benefits both the healthcare provider and patient at a time when deductibles have been escalating.

"It's a win-win situation," she says. "We are able to collect most patients' out-of-pocket expenses prior to their hospital visit. And patients appreciate knowing what they're up against. The likelihood for sticker shock is lessened."

Preservice financial discussions raise patient awareness of financial assistance and availability of other payment arrangements.

At Indiana's Beacon Health System, patients can receive pricing data for most services on a real-time basis. "Patients who want to know the cost of labor and delivery, for example, can receive a comprehensive estimate at the time of the request," says Jeff Costello, vice president and CFO.

Patient financial counselors at Beacon Health System also can discuss patient insurance coverage for a particular carrier and the types of financial assistance programs that may be available for the patient who will have out-of-pocket costs.

Ability to discuss and manage financial impact to the consumer is becoming a competitive differentiator, notes Costello. "We're going to continue to ramp up these resources, because we want to make sure that we're giving a strong first impression. Also, as patients understand price and their ability to pay, their decisions

to purchase now and in the future become much easier to make," he says.

Offer Payment Flexibility

When faced with a large retail purchase, many customers prefer to pay over time. The same is true with healthcare purchasers. Patients often appreciate the greater control over payment and the peace of mind associated with various types of financing programs.

Because financing isn't a core competency of healthcare providers and requires significant regulatory compliance, many organizations are entering into arrangements with a third party to support such programs. "There's a whole schematic for how you set up and manage financing," says Dan Hogan, CFO of DeSoto Memorial Hospital, a 49-bed sole community hospital in Arcadia, Fla. "Although we like to extend the service to patients quickly, we recognize doing so isn't our primary focus. Our goal is, 'How do you get the right kind of healthcare services for a reasonable price?' I would rather work on that end and leave the financing program to others."

At DeSoto, financing is offered to self-pay patients and those with a balance after insurance. Patients pay the debt over 25 months at a 0 percent annual percentage rate (APR). The program is full recourse: The financier pays the patient's debt, but the hospital must pay back to the financier any outstanding balance after a patient misses three consecutive payments.

Beacon Health System, Metro Health, and Mercy Health have similar programs, where patients who do

Key Financing Options for Healthcare Providers

Healthcare providers use a variety of financial products to provide patients with greater payment flexibility.

Medical credit cards. Medical credit cards allow patients to tap into open-end/revolving lines of credit that can be used across a network of participating providers. Chief advantages to the patient are convenience and ease of use. However, most require an application for credit, and introductory/teaser interest rates offered by some can be misunderstood by patients.

Installment loans. An installment loan is a loan repaid with interest in equal periodic payments. Unlike a credit card, the loan is usually for a single procedure or package of procedures and doesn't permit adding new services unless the original contract is amended.

Lines of credit. A line of credit is similar to a medical credit card without the card component. These products are usually offered to patients who have an outstanding balance as a result of emergency care, acute care, or medically essential care. Typically, no credit application is required of the patient and the line of credit isn't subject to credit agency reporting. Delinquent accounts may be returned to the provider.

Payment plans. Many providers administer their own payment plans for delinquent or high-balance patient accounts. The organization should be cautious about compliance risk, as consumer lending is highly regulated by a large number of state and federal overseers.

For a more in-depth discussion of these options see *Comparison of Medical Financial Products* by CarePayment, bit.ly/1z55QUL.

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Why Patient Financial Engagement Should Come First

Ann Garnier, chief operating officer, CarePayment, explains key strategies to build patient engagement and satisfaction at the start of and throughout the revenue cycle.

Why should you make patient financial engagement a priority?

The revenue cycle has a huge and often unrecognized role to play in health outcomes and patient satisfaction. Here's why: Patients are bearing a greater share of their medical costs and many are struggling under that weight. Unable to pay, some patients skip care or wait until there's an emergency, undercutting clinical engagement and population health management efforts. Others receive care but then can't pay, pushing up bad debt. Patient financial engagement goes hand-in-hand with clinical engagement, and both support a hospital's mission to provide care to its community and improve health outcomes.

What's the most important step in patient financial engagement?

It's critical to engage patients about finances at the very beginning. Patients want to know their financial obligations and payment options, including government aid and charity care, before receiving treatment. When they have this information preservice and at the point of service, their engagement, satisfaction, and propensity to pay increase sharply versus offering a financing program after they've already missed a payment or two.

What needs to change?

It takes investments in staff and technology to support patient financial engagement. Financial counselors need real-time access to patient eligibility information and cost-estimating tools. They also need to be prepared to offer payment options to remove a potential barrier to care.

Source: CarePayment.

not make a payment for 60 days following the organization's initial statement are automatically offered the financing program.

Offering no-interest financing programs can have positive effects on the revenue cycle, including improved cash flow, reduced bad debt, and enhanced patient satisfaction. Although default rates of 25 percent aren't uncommon for healthcare debt, patients generally are more willing to provide payment once the means to do so is made more affordable.

Kris Kurtz, Metro Health's controller, says his organization's collections rate for accounts older than 60 days was very low before implementing 0 percent APR financing. Metro Health now has about 12,000 patients with active balances in the program. "We have more than doubled the collection

rate among patients who previously had accounts older than 60 days," he says.

At a time when the bad debt of other healthcare organizations is on the rise, Metro Health's bad debt rate—about 6 percent of net revenue—has remained flat over the past five years. Additionally, in the five years that Metro Health has been offering financing, it continues to improve the collection rate from patients with the lowest propensity to pay—payments it otherwise wasn't likely to receive.

For organizations to make the most of financing, it helps if they promote awareness among patients. To this end, Kurtz notes that all patient communication and marketing materials about the financing program are co-branded with Metro Health's logo. Metro Health has packaged the flexible payment option with

Financial Services to Go?

Imagine if financial counseling were as easy to come by as pizza delivery. For some patients, this thought may not seem like too much of a stretch.

At Mercy Health facilities in Cadillac and Grayling, Mich., coordinators for Medicaid and disability services travel throughout the community to help rural patients and others enroll in the state's health insurance marketplace and apply for the

organization's financial assistance and charity care programs as applicable.

"Our coordinators will go to patients' homes or meet at a restaurant. We've gone to every community event that we could think of, too," notes Lori Weedon, director of patient financial services. The program's two coordinators together average about 20 community visits a year and two home visits per week.

information about its prompt-pay discount and wellness services and promoted it in the community as the Metro Care program, striving to eliminate any perceived financial barriers to care and to educate the patient population about preventive care opportunities.

Staff for Satisfaction

Another cue revenue cycle leaders are taking from their retail counterparts is the need to focus on improving experiential aspects of service by ensuring well-trained and available staff.

Traditionally, front-line financial service positions haven't been thought of as career pathways; rather, they've merely served as stepping stones to other, higher-paid opportunities. As a result, such positions have often been filled by staff with limited experience and have been particularly prone to high turnover.

As patient financial communications have grown increasingly complex, however, the role of the PFS counselor has grown in importance. Organizations are seeking more educated staff for these positions and training and compensating their employees to possess a greater diversity of skills than ever before.²

These days, counselors frequently must navigate roles of customer service representative, coverage expert, financial assistance guide, and cross-continuum care navigator. Coordinating payment and services with the physician who ordered the service is also necessary and challenging, Hogan says. Physicians generally do not want to wait for their patients to receive hospital services.

"The financial counselor should be a one-stop source," Costello says. "We don't want the patient to experience 'ping pong,' being tossed from one employee to another to have a question answered. We try to equip the financial counselors with enough information and resources to address the many and sometimes sensitive conversations that may come their way."

Quality also is being backed with quantity. No longer relegated merely to the business office or call center, counselors can often be found at key entry points across the organization as well as embedded in emergency departments. Their presence increasingly is being recognized as important to supporting the overall care experience.

Over the past three years, Beacon Health System has increased its financial counseling staff by 20 percent, Costello says.

Treat Your Website as Your Front Door

Any retailer knows that a visually appealing, easy-to-navigate website is an important tool for reaching consumers. Healthcare providers, too, are recognizing this importance as they determine how to present financial services.

Organizations such as Metro Health are placing comprehensive information on their websites and supporting online bill pay. On Metro Health's website, for example, patients can find a list of frequently asked questions (e.g., "How do I pay my bill?" and "What if I can't pay my bill in full?") as well as a glossary of common healthcare terms to aid comprehension of medical and financial communications. Metro Health also accepts online payment with the ease and security associated with an online retail transaction.

Other website features that can support improved financial services include preregistration access, opportunity to submit patient insurance updates, access to pricing estimates, and patient satisfaction tools. Many healthcare organizations are even helping patients link clinical and financial services through the creation of personal health management tools that track medical expenses, store family health history and medication history, and help the user set diet and fitness goals.

Regardless of the approach undertaken, healthcare providers are viewing online presence as a key means for providing patients with the ability to access services from the comfort of home and outside of normal business hours. "It's important to recognize the many ways patients want to communicate with the organization," Bristol says.

Endnotes

- 1 hfma.org/communications
- 2 *Strategies for a High-Performance Revenue Cycle*, HFMA, 2010.



CarePayment is a patient financial engagement company that accelerates provider transformation to the new consumer-driven healthcare market. Powered by advanced technology and analytics, our innovative patient financing programs improve patient satisfaction and loyalty while delivering superior financial results. Accounts for the program are issued by WebBank of Salt Lake City, UT. Visit www.carepayment.com for more details.