Patient Friendly Billing

The Link Among Patient Billing, Revenue and Patient Satisfaction

*PATIENT FRIENDLY BILLING*SM is the healthcare industry's approach to making patient billing statements more clear, concise, correct and patient friendly.

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healthcare financial management association

Medical Group
Management
Association
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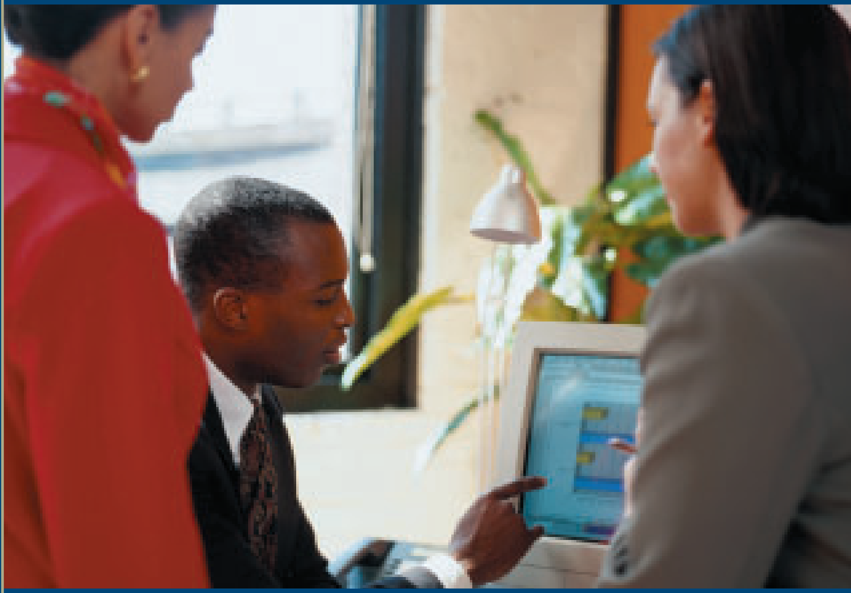

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The link among patient billing, revenue and patient satisfaction

As physician reimbursement continues to fall further and further behind operating costs, medical group practices must do whatever they can to control costs and increase revenue. Many practices can measurably improve cash flow through more efficient management of accounts receivable.

The *PATIENT FRIENDLY BILLING*^{SM} project was established to help healthcare organizations create a more patient-focused healthcare billing and collection process that will also produce:

- Higher patient satisfaction;
- Better informed and more medically compliant patients;
- More accurate billing statements;
- Fewer patient questions about billing statements;
- Higher percentage of collections of billed charges; and
- Faster collections from patients of the balances owed.

This document explains how to make billing statements less confusing and how the effort to make billing statements clearer and more accurate can help improve a medical practice's revenue cycle.

The origins of the *PATIENT FRIENDLY BILLING*^{SM} project

The *PATIENT FRIENDLY BILLING* Task Force–which included representatives from the Medical Group Management Association (MGMA), the Healthcare Financial Management Association (HFMA) and the American Hospital Association (AHA) – spent nearly a year examining billing problems and solutions.

The study included several focus groups of patients. These focus groups said billing statements and telephone interactions made almost as great an impact on their satisfaction with their providers as did the clinical interactions. Many patients thought that billing statements were confusing, adding to their perceptions of high cost and their frustration with the health system.

The *PATIENT FRIENDLY BILLING* philosophy

Changing the dynamics that drive patient billing requires a united commitment from all of us. In support of that effort, the following philosophy statements can help guide the changes that make communications more effective. They also provide a starting point to focus efforts throughout your practice. This universal philosophy summarizes our intentions and binds us together to achieve our goals.

- The needs of patients and family members should be paramount when designing administrative processes and communications.
- Information gathering should be coordinated with other providers and payors, and this collection process should be done efficiently, confidentially and with as little duplication as possible.
- Financial communications should contain language and a format easily understood by the patient or family member.
- Practices should strive for continuous improvement of the billing process through implementation of better practices and incorporating feedback from patients.

How to use this information

1. Route this information to everyone involved in your organization's billing process: physicians, other providers and staff.
2. Use the checklists and strategies described in this brochure to review your billing process for ways to improve its efficiency and accuracy.
3. Review your billing statements to identify ways to make them easier for patients to read.
4. Meet with patients and learn from them.
5. Visit **www.mgma.com** and **www.patientfriendlybilling.org** for tools and templates you can use to improve the billing process in your practice.

Patient friendly billing tips

The ideal patient billing statement is:

- ❍ **Clear:** The billing statement is easy to understand.
- ❍ **Correct:** The statement accurately reflects the services provided.
- ❍ **Concise:** Patients get enough detail to understand when, where and from whom they received a service, how much they owe and the amount billed to a third-party payor.
- ❍ **Patient friendly:** The design and layout of the billing statement is simple, logical and easy to read.

Checklist for improving your patient billing and follow-up

Based on consumer research and expert analysis, the *PATIENT FRIENDLY BILLING* Task Force outlined a number of steps to promote patient friendly billing:

☑ **Educate patients.** Include a written description of the practice's credit and collection policies in the information provided to new patients. State the patient's responsibilities for making copayments at the time of service, how the practice invoices co-insurance and deductibles, the practice's policies on structured payments and whether interest is charged. Include an example of a patient billing statement with an explanation of each section.

☑ **Review the registration process.** Implement systems to capture all necessary information from patients as efficiently as possible. Try to reduce redundant questions and forms. Include checkpoints that validate information within the revenue cycle—and within the practice management system itself—to ensure accurate and complete patient information.

☑ **Inform patients.** Before a significant episode of care, such as surgery or hospitalization, inform the patient and, if possible, a family member of the financial obligations and how the insurance billing process works.

☑ **Meet with major payors** periodically to discuss payment and administrative issues.

☑ **Involve physicians and staff in an examination of the billing process.** Make sure all employees know how the billing process works. Some medical practices prepare a flow chart that describes the revenue cycle. This visual aid helps staff and providers understand the entire process – from collecting a copayment at the time of service to billing the patient for a deductible or co-insurance amount – and their role in it. Make sure employees understand the purpose of the forms and statements the practice uses.

☑ **Give patients a clear billing statement** with an easy-to-understand summary of the services. Avoid abbreviations, medical jargon and other specialized terminology. List phone numbers and contact hours to call with questions.

☑ **Tell patients what to expect.** For example, tell them if the practice billed their insurance company for the service or if the balance on the billing statement is the patient's responsibility.

☑ **Include return envelopes with billing statements** on which balances are due, but not with statements that are merely explanations.

☑ **Study the needs of your community.** Patients, family members and other caregivers can suggest ways to improve billing statements and the billing process. For example, should the practice print statements in languages other than English?

☑ **Remind patients who cannot afford to pay their bills** in full of your practice's financial counseling and payment options, and tell them whom in the practice to contact to arrange an extended payment program.

☑ **Consider extended billing office hours** to handle patients' billing questions during evenings and/or weekends. This tactic could improve collections as well as patient satisfaction.

☑ **Hire, train and motivate service-oriented staff** who can communicate effectively with patients. Give employees access to the information they need to answer patients' questions and solve problems quickly.

☑ **Understand your state's legal and payor requirements** related to billing, extending credit and contacting patients during the collections process.

☑ **Make sure your billing systems are compliant with Health Insurance Portability and Accountability Act (HIPAA) regulations.** See **www.mgma.com** for more information about HIPAA.

Revenue cycle strategies to improve billing results

The *PATIENT FRIENDLY BILLING* project is more than making billing statements look better: It's about improving communication between patients and the practice.

An understandable billing statement also plays an important role in a practice's revenue cycle. The revenue cycle in a medical practice can be divided into three steps: previsit, visit and postvisit. Mistakes in entering information at any point can lead to inaccurate, delayed or confusing information on the patient's billing statement.

Use the following tips to ensure that every step in the revenue cycle improves the billing and collections process.

The previsit

○ **Contracting.** Start on the road to friendlier patient billing when you negotiate contracts with payors. Arrange regular meetings to discuss payment and administrative issues.
Benefit: Patients' insurance information is entered accurately, and redundant billing statements are reduced or eliminated.

○ **Credentialing and provider enrollment.** Pay attention to the re-enrollment process. Many practices require new providers to complete all credentialing and enrollment paperwork upon acceptance of the practice's employment offer.
Benefit: No more claim rejections due to "provider not enrolled."

○ **New patients.** Explain the practice's financial policies, including what payments are expected at the time of service.
Benefit: The practice will send fewer billing statements for copayments and other amounts that could have been collected at the time of service.

○ **Scheduling.** Remind patients of copayments as well as overdue account balances when they call to schedule appointments.
Benefit: The practice saves time, increases cash flow and avoids sending out bills for small balances.

○ **Registration.** Try to gather and/or verify insurance and other required information when the patient schedules an appointment.
Benefit: Reduces delays for patients at the registration desk and reduces denied claims due to inaccurate patient information.

Tip from a better performer

By using a "preregistration" department to collect demographic information and tell patients of copayments, Gastroenterology Consultants, Racine, Wis., a practice with 10 full-time physicians and six nonphysician providers, collects 90 percent of all copayments at the time of service.

Source: MGMA *Performance and Practices of Successful Medical Groups: 2001 Report Based on 2000 Data*

- **Insurance verification.** Always verify insurance and benefits eligibility for new patients. Do the same for patients who have not been in the office recently.
  Benefit: Reduces the time wasted chasing down the correct insurance company or sending multiple billing statements to patients.
- **Referrals and authorizations.** A day or two before each clinic session, review the files for scheduled patients to verify that all required paperwork for referrals and authorizations has been completed correctly.
  Benefit: Reduces denied or delayed claims and saves staff time.

The visit

- **Front desk.** Verify insurance coverage, gather and update demographic information, give new patients a financial policy form to read and sign, collect time-of-service payments and remind them of any past-due balances.
  Benefit: Accurate patient information speeds claims processing and prevents many types of insurance claim denials or delays.

Tip from a better performer

Pediatrics DTC, Denver, requires its staff to update patient information prior to charge entry, which occurs within two days of the visit.

Source: MGMA *Performance and Practices of Successful Medical Groups: 2001 Report Based on 2000 Data*

- **Charge capture and coding.** Use dependable electronic or manual systems to help providers capture charges quickly, fully and accurately. Match appointment schedules to charge tickets or surgeries to operating room logs. Provide proper coding and documentation training to physicians and coding staff.
  Benefit: The physicians improve their chances of getting paid.
- **Patient discharge.** Collect outstanding balances and copayments if not collected at registration. Give patients who have outstanding balances payment invoices and return envelopes.
  Benefit: Improves cash flow, lowers collection cost and improves collection time.

The postvisit

❍ **Claims submission.** Transmit claims electronically and promptly. Use software to ensure coding is accurate and corresponds to ICD-9 diagnosis codes as required by payors. Automate billing to secondary payors.
Benefit: Shortens the average time of accounts receivable.

❍ **Payment and rejection posting.** Don't just post the dollar amounts found on the explanation of benefit (EOB) forms. Look for balances to be transferred to secondary insurance or billed to patients.
Benefit: The practice will be paid the correct amount for services.

❍ **Rejections.** Use legitimate claims rejections from payors as feedback to improve internal processes.
Benefit: Speeds up the entire claims process.

❍ **Insurance follow-up.** Obtain automated claims status reports from payors, if available. Use an automated tickler system and assign staff by payor.
Benefit: The practice collects what it is owed.

Tip from better performers

Eighty-eight percent of better-performing multispecialty groups assigned accounts to their collectors by payor or patient, compared with only 68 percent of the average performers, which tended to assign collection accounts by physician or specialty.

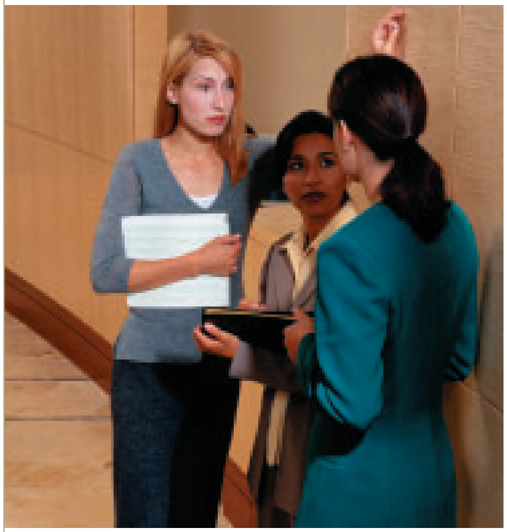
Source: MGMA *Performance and Practices of Successful Medical Groups: 2001 Report Based on 2000 Data*

Tip from a better performer

The Cardiology Group of Western New York, Buffalo, found that staff members who focus on certain payors and patients will do a better job of communicating with them and learn how to ensure payment.

Source: MGMA *Performance and Practices of Successful Medical Groups: 2000 Report Based on 1999 Data*

❍ **Patient follow-up.** Once an unpaid balance becomes the patient's responsibility and the practice bills the patient, make sure the billing statement describes what the patient owes and for what. Evaluate the statement to see if it is clear. Some practices use focus groups of patients to review their billing statements. Consider providing billing statements in other languages besides English or employ multilingual staff to help patients with billing questions.



Create a patient friendly billing statement that gets results

What changes should you make?

Confusing, complicated and incorrect billing can quickly destroy a patient's positive experience with your practice.

The *PATIENT FRIENDLY BILLING* project studied several hospitals, health networks and other medical organizations that made their billing statements easier for patients to understand by adopting common "successful practices." In every effort, customer satisfaction rose, accounts receivable and bad debt decreased and more consumers paid their bills quickly.

The visual element of the better billing statement

A patient friendly billing statement uses an easy-to-read typeface—a lettering style—in a generous size for easy readability on both the front and back of the document. Many medical groups can issue their billing statements in a larger typeface for elderly and sight-impaired customers. Depending on the demographics of their patient population, medical groups may want to consider printing statements in languages other than English.

The statement's visual appearance and, especially, its language should be consistent with other billing-related material from the practice. Calling a document a "bill" and then later referring to it as an "invoice" will confuse patients. Where possible, explain how various documents are related.

Well-designed billing statements contain:

- A description of services provided, with an appropriate level of detail;
- Summaries of total charges;
- Amounts already paid by insurance companies and patients;
- Amounts patients still owe;
- Clear direction to patients about what they need to do (pay, call the insurance company, etc.);
- Reaffirmation that the patient is the customer.

It's helpful to add:

- Information that explains the difference between a bill, a statement and an explanation of benefits (EOB);
- Additional resources, such as billing and customer service numbers, Medicare and Medicaid Web sites;
- Contact information about local patient advocates;
- A credit card payment form on the front of the billing statement—consider accepting credit card payments by telephone;
- Statement envelopes that include a "forwarding and address correction requested" message next to the return address. Handle any address changes or other returns from the post office the same day that you receive them.

Good customer service helps the revenue cycle

Include a clearly stated support process—phone numbers, whom to contact and hours to call—on all printed patient communications—especially billing statements.

Make sure you have trained staff who can explain billing statements and resolve problems when they occur. To further refine the billing process, set up a system for the business office staff to gather and share with other employees the feedback they get from patients.

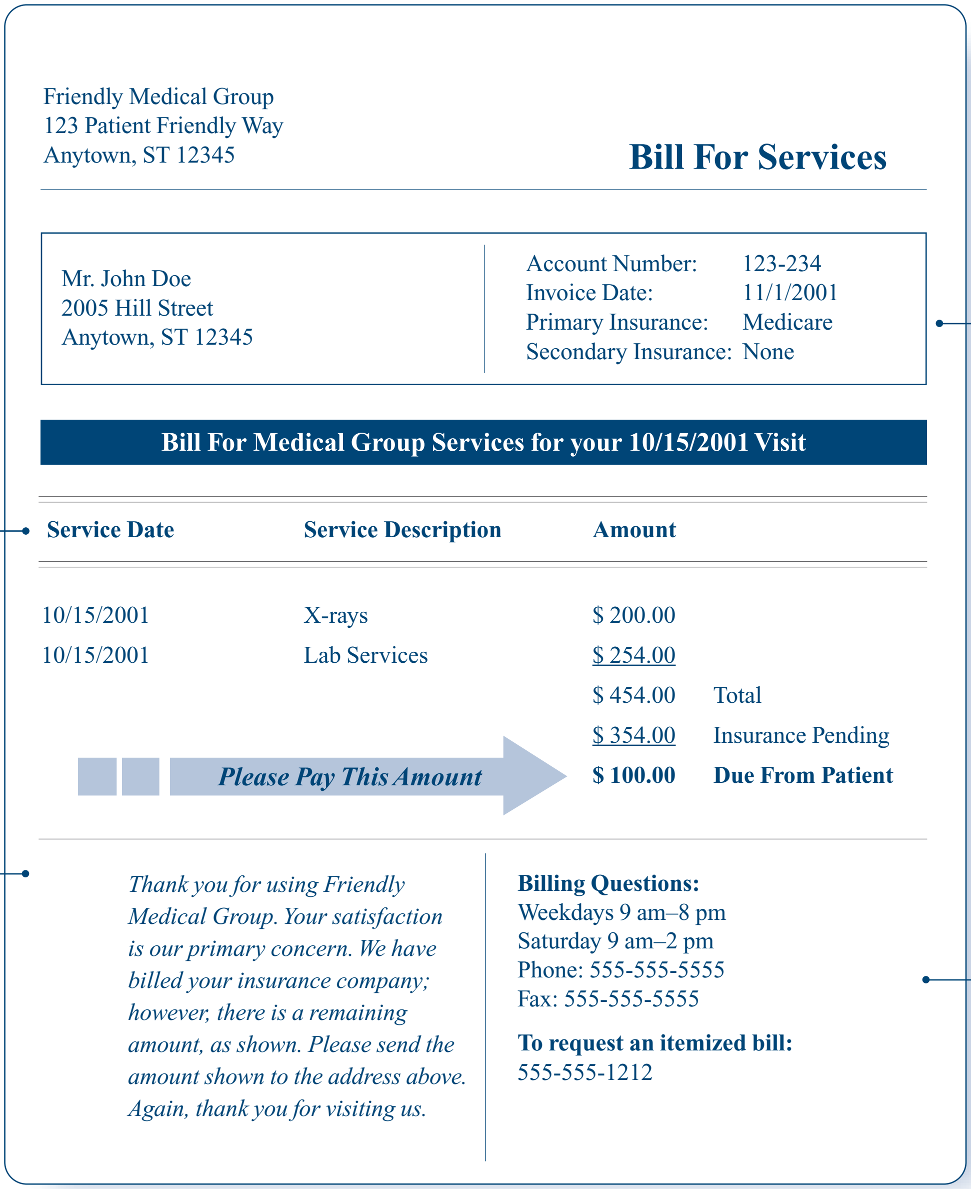
Visit the Web sites **www.mgma.com** and **www.patientfriendlybilling.org** for more details.

Components of a Patient Friendly Billing Statement

The bill contains appropriate language, a large typeface and an easy-to-read layout.

The bill elements have been simplified to a concise outline of packaged and bundled services, without internal codes and medical jargon.

Clear directions are provided about what actions the patient needs to take to ensure payment.



Friendly Medical Group
123 Patient Friendly Way
Anytown, ST 12345

Bill For Services

Mr. John Doe
2005 Hill Street
Anytown, ST 12345

Account Number: 123-234
Invoice Date: 11/1/2001
Primary Insurance: Medicare
Secondary Insurance: None

Bill For Medical Group Services for your 10/15/2001 Visit

Service Date	**Service Description**	**Amount**	
10/15/2001	X-rays	$ 200.00	
10/15/2001	Lab Services	$ 254.00	
		$ 454.00	Total
		$ 354.00	Insurance Pending
	Please Pay This Amount	**$ 100.00**	**Due From Patient**

Thank you for using Friendly Medical Group. Your satisfaction is our primary concern. We have billed your insurance company; however, there is a remaining amount, as shown. Please send the amount shown to the address above. Again, thank you for visiting us.

Billing Questions:
Weekdays 9 am–8 pm
Saturday 9 am–2 pm
Phone: 555-555-5555
Fax: 555-555-5555

To request an itemized bill:
555-555-1212

This bill is part of a suite of consistent financial communications to the patient, including letters and statements.

Basic billing system demographic and insurance information is presented to ensure data integrity, completeness and accuracy.

Details of customer support services and information is indicated.

The back of the bill contains definitions and explanations to help the patient understand the billing process.

Change your vocabulary

Write materials for the general public at a junior high school reading level. Patients often cannot understand the healthcare lingo that appears on most practice billing information. Use common words and simple sentences. Avoid using acronyms. For example, say "swelling of the ankles" rather than "edema of the ankles."

Many patients believe that medical bills contain too much information. These patients often do not know how to organize medical billing data, sort relevant from irrelevant information or reach a conclusion.

Recognize your patients' age, educational, ethnic and community characteristics. Base your approach on the population your organization serves.

Make sure they understand your new billing form

Case study: Edmonds Family Medicine improves patient satisfaction

Here is an example of a billing statement "best practice" by a medical group identified in the MGMA's *Performance and Practices of Successful Medical Groups: 1999 Report Based on 1998 Data.*

Edmonds (Wash.) Family Medicine sends out thousands of billing statements annually. When a change in the format of its statements confused some patients, the group's leaders initiated a communication program to help patients understand the purpose of the change. The medical practice distributed a diagram explaining each part of the new billing statement.

Edmonds Family Medicine found patients uniformly satisfied with the description diagram. They made fewer calls to the office about the revised billing statement. The group's staff believes that the more patients can communicate about their medical care, the greater their satisfaction with the practice.

When do you send the billing statement?

Experts differ on when to send a billing statement to a patient. Some say to do it sooner rather than later. Waiting too long, they say, may cause the statement to get lost in what can be a blizzard of paperwork following a major episode of care. However, other experts caution that sending purely informational billing statements may contribute to the paperwork overload that many patients experience.

Here's an example of a "best practice" related to the timing of the mailing of billing statements from a medical group identified in the MGMA *Performance and Practices of Successful Medical Groups: 1999 Report Based on 1998 Data.*

Sterling (Ill.) Rock Falls Clinic does not mail anything until a patient's insurance company adjudicates the claim or 45 days have passed. This reduces the amount of paperwork patients receive. They are less apt to ignore communications from a provider when they receive communications focused on a specific required action, such as when to pay an amount due.

Tips to make the billing process more patient friendly

Billing statements are the billing and collection staff's primary interaction with patients. Here are more suggestions, to make statements more effective:

- ❍ Send statements monthly to all patients who have self-pay balances remaining on their accounts (some medical groups "write off" very small balances that have remained uncollected for a long time).
- ❍ While it is common to offer patients payment plans, don't accept extremely extended ones (for example, $5 per month for 10 years). Put your policies in writing.

- If appropriate, develop procedures to share information with other providers, including hospitals, that deal with the same patients. Reciprocal agreements for information sharing can save time and patient frustration.
- Include "method of payment" check-off boxes and credit card options on patient sign-in forms. Appointment reminders, whether printed or verbal, should state that copayments are due at the time of visit.
- Mail statements daily. Don't batch mailings until the end of the week, or worse, the end of the month. Make sure you have enough staff to field phone calls after statements are mailed.
- Instead of sending the same billing statement repeatedly to a patient who owes a balance, design a series of statements and collection letters. The communications can show the practice's escalating concern about the patient's delinquent payments. Write a script for staff who make follow-up telephone calls.

Should you mail a statement when the patient owes nothing?

Some medical groups try to reduce the number of statements they mail and the related costs of processing, printing and mailing by sending monthly billing statements only to patients who owe a balance. Patients who don't owe a balance will not be reminded of what their care costs. They may also be less aware of their insurance carrier's performance and not as likely to get involved on your practice's behalf if claims problems arise with a third party. Therefore, in order to make sure the patient is adequately informed, it is advisable that practices keep patients aware of amounts due from them as well as from their insurance carriers.

Next steps

While short-term fixes can improve patient financial communications, the ultimate solution involves significant change to how healthcare services are billed and paid. The *PATIENT FRIENDLY BILLING* Task Force will continue working to make billing more clear, concise, accurate and patient-responsive. We will communicate with healthcare organizations, legislators and the public about ways we can partner in the spirit of creating a better healthcare billing system.

Specifically, we will:
- Continue to develop and distribute resources to help provider organizations implement and improve their patient billing processes. Look for these resources on our Web site, **www.mgma.com**, or find additional resources related to hospitals and health networks at **www.patientfriendlybilling.org**;
- Work toward a more patient friendly billing process. We will continue to investigate the causes of barriers and develop solutions;
- Work with insurers, government agencies and consumer advocates to determine how the health system can better meet the needs of consumers; and
- Develop and work to implement a long-term vision of better ways to insure and pay for healthcare services.

We have just begun to implement our action steps and reach out to the medical community. We have more to accomplish to heighten the public's trust and confidence in the healthcare billing system. We are committed to improving the billing experience for patients and their families, and ultimately to strengthen the American healthcare system.

Thank you for joining us.

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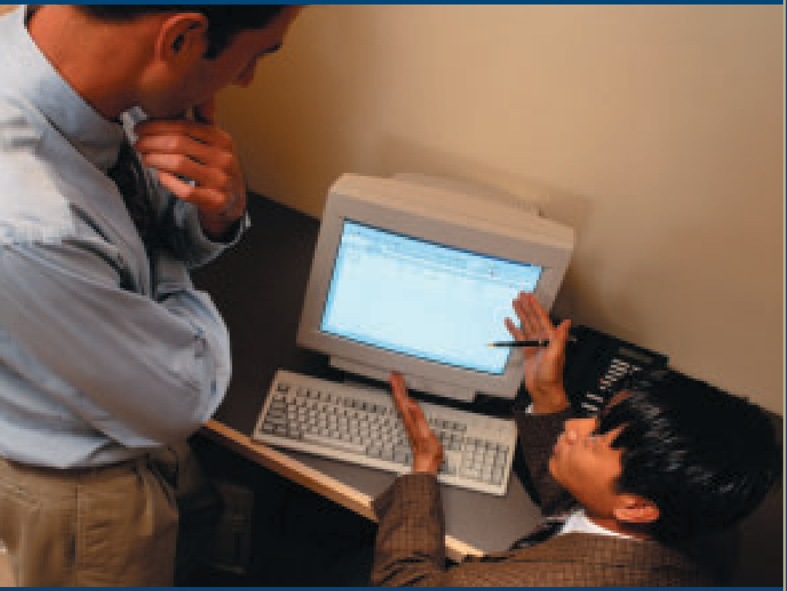

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Two Westbrook Corporate Center, Suite 700
Westchester, IL 60154-5700

Medical Group
Management
Association
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104 Inverness Terrace East
Englewood, CO 80112-5306

For more information:
Web: www.mgma.com
Web: www.patientfriendlybilling.org
Email: info@patientfriendlybilling.org
Phone: 708-492-3367