Revenue Opportunities in *Uncollectible* Bad Debt

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Your Presenter: **Patrick Whisennand, CRCR**

- Senior Account Executive, Breez Health
- Past-President Sunflower (Kansas) HFMA
- CRCR Certified
- 13 years of experience in healthcare finance and revenue cycle with a focus on 501(r), Financial Assistance Policies, patient experience, and self-pay billing/collection best practices

Agenda

- Collectability of patient balances
- A new approach to uncollectible accounts
- **Carrot #1** – Reduce patient responsibility to increase self-pay collections, patient volume, and insurance reimbursement
- **Carrot #2** – Leverage FA to find insurance, Medicaid, and UCC reimbursement opportunities
- **Sticks?** – How the federal government feels the 501(r) rollout is going, and media attention around FAP/Charity Care

Patient Balance Collectability

True Self-Pay

- Approx. 9.2% of Americans are uninsured
- TSP represents a small % of hospital revenue (collected)
- Because TSP collectability is exceedingly low

Balance After Insurance

- Approx. 49.6% of Americans have employer coverage
- Approx. 5.9% have non-group coverage (marketplace)
- Approx. 14.2% have Medicare
- Much more collectable

Who is paying and who is not?

Chicago, Dec 13, 2018

Small Percentage of Uninsured Patients Generate Most of Hospitals' Self Pay Revenue

TransUnion Healthcare findings reveal that hospitals may be leaving millions on the table when their revenue cycle isn't optimized

A TransUnion Healthcare (NYSE: TRU) analysis found that 30% of self-pay accounts – those patients without health insurance or those that have a patient balance after insurance – will generate more than 80% of the self pay revenue collected by hospitals.

TransUnion

Who is paying? who is not?

Minnesotan Households by Federal Poverty Level

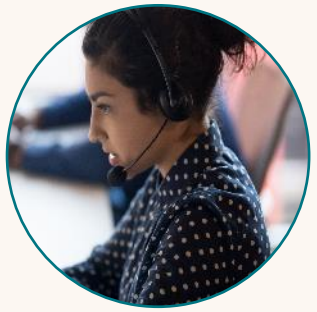
On Medicaid	Under 200% FPL No Medicaid	201-400% FPL	401%+ FPL
Approx. 18% are on Medicaid	4%	29%	49% of households (where more than 80% of self-pay revenue comes from)

The Traditional Patient Billing Cycle

Step 1

Send bills

Collect some money



Step 2

Make calls

Collect some more

About 30-50% recovered before bad debt.

Step 3

Send to Collections

Collect a little more

Step 4

What's Left?

85-95% Uncollected

- Some patients with ability to pay, but refuse to
- Mostly patients who can't pay

About 5-15% recovered after bad debt placement.

This presentation is about the crickets

- What about the 85-95% of bad debt accounts that never get paid?
- Is there anything we can do for them?
- Are there any revenue opportunities in those accounts?
- Considering the title of this presentation, the answer had better be… Yes!

A new approach to uncollectable bad debt

Quick 501(r)(4) Review

Establish Financial Assistance Policy

- Eligibility criteria
- Method for applying
- Widely publicized

Eligibility Criteria

For free or discounted care:

- Income test?
- Service area?
- Asset test?
- Uninsured/underinsured?

Method for applying

FAP must describe:

- How to apply
- Information required
- Documentation required

Widely publicized

- Make FAP, app, PLS available on hospital website
- Make paper copies available upon request (for free)
- Notify members of the community about the FAP “in a manner reasonably calculated to reach those members of the community who are most likely to require financial assistance.”

501R -
How are we doing?

Who qualifies for financial assistance?

American Households by Federal Poverty Level

Maryland HSCRC Study

"A report from the Maryland Health Services Cost Review Commission (HSCRC) showed that hospitals turned 60% of patients eligible for free care (under 200% FPL) over to debt collectors."

- https://static1.squarespace.com/static/5b05bed59772ae16550f90de/t/6045840486f11518b48230a5/1615168518742/HSCRC+1420+report.pdf

health services cost review commission

Opportunity #1
Bill less to collect more

Bill FA-Eligible patients less to collect more

- FA eligibility criteria allows us to bill high earners (those who pay) the full patient responsibility.
- In the US – the average single deductible is $1,945 and average family deductible is $3,722.
- If a patient that can't afford $2,000 could come up with $500, would it benefit them to do so?
- If you gave them a 75% FA discount, would it benefit them to pay you $500?

Opportunity #2

Reduce financial burden of care to increase insurance revenue – Part 1

Americans avoid and delay treatment due to the cost of care

- 20|20 Research survey of patients:
  - 61% have no money saved for healthcare expenses.
  - 64% have avoided or delayed medical care in the last year due to anticipated expenses.
- HealthLeaders survey of physicians:
  - 80% say their patients refuse or delay care due to concerns about cost.
  - 79% say HDHPs are a leading cause of those cost concerns.

First Things First

- Do we want patients avoiding or delaying the care they need?

If we reduce the cost for FA-eligible patients?

- More patients coming in for routine care
- An overall healthier patient population
- But what about financially?

If we reduce the cost for FA-eligible patients?

- Additional patient volume
- Remember the self-pay recovery baseline for FA-eligible patients
- Very low
- Forgo collecting a little from low-income patients to increase insurance volume from those patients

Opportunity #3

Reduce financial burden of care to increase insurance revenue – Part 2

What about FA-Eligible patients who don’t have insurance?

- Remember the collectability of the accounts we’re talking about ≈ $0.
- Every hospital has measures in place.
  - Medicaid eligibility vendors
  - Coverage detection technology
  - Yet – some patient still slip through the cracks.

What about FA-Eligible patients who don’t have insurance?

- “Patient engagement” has been a buzz word for some time.
- Truly is valuable
- What do engaged patients do?
- Make sure you have their insurance
- Pay what they can
- What about disengaged patients?
- Why would a disengaged patient engage?
- “What’s in it for them?”

What about FA-Eligible patients who don’t have insurance?

- Income &WIIFT is make the bills go away.
- FA is a great way to engage low-income patients.
- WIIFY is get a great picture of their financial situation and explore reimbursement options.
- Consider common FA application requirements:
  - Income
  - Family size
  - Assets
  - Health insurance info or Medicaid denial

What about FA-Eligible patients who don’t have insurance?

- Receiving this information from patients with balances yields:
  - Some found insurance - $$$
  - List of high-likelihood Medicaid eligible patients to follow up with
- What gets in the way:
  - Over-complicated policies and applications
  - Over-burdensome documentation requirements

Opportunity #4
Medicare Bad Debt

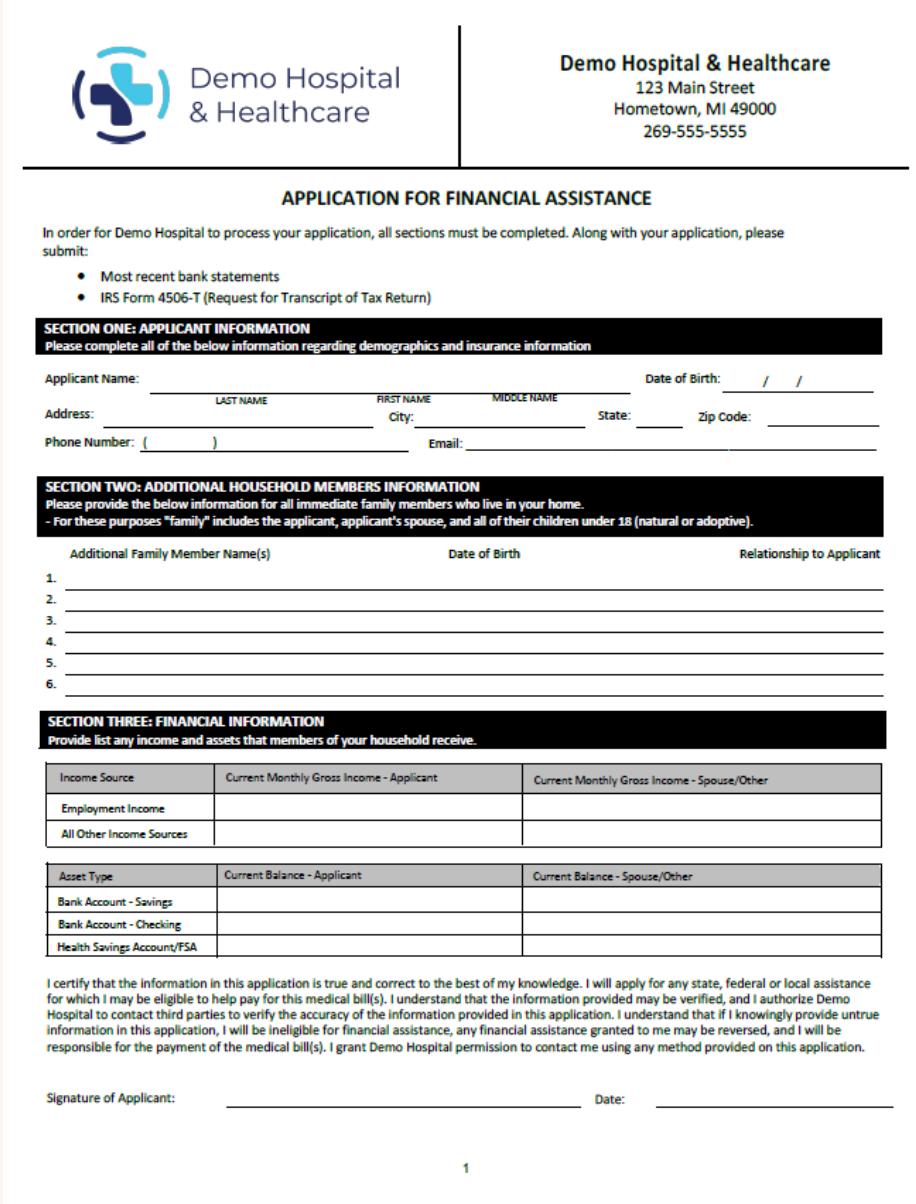
Increase Medicare Bad Debt Reimbursement

- Medicare Part A inpatient deductible - $1,556.
- Medicare Bad Debt reimbursement – 65%

- Approving FAP fast tracks these accounts to the Medicare Bad Debt account logs and removes the financial barrier to seeking needed healthcare services.

How much is a FAP application worth to you?

- Medicare Bad Debt (3.5% of applications) - **$1,011 per case**
- Medicaid-Eligible (10% of applications) - **$1,000 per case**
- Commercial Insurance Found (1% of applications) - **$1,500+ per case**
- Insured DSH reimbursement (25% of applications) - **$160 per case**



Demo Hospital & Healthcare

Demo Hospital & Healthcare
123 Main Street
Hometown, MI 49000
269-555-5555

APPLICATION FOR FINANCIAL ASSISTANCE

In order for Demo Hospital to process your application, all sections must be completed. Along with your application, please submit:

- Most recent bank statements
- IRS Form 4506-T (Request for Transcript of Tax Return)

SECTION ONE: APPLICANT INFORMATION
Please complete all of the below information regarding demographics and insurance information

Applicant Name: _____ Date of Birth: / /
LAST NAME FIRST NAME MIDDLE NAME
Address: _____ City: _____ State: _____ Zip Code: _____
Phone Number: ( ) _____ Email: _____

SECTION TWO: ADDITIONAL HOUSEHOLD MEMBERS INFORMATION
Please provide the below information for all immediate family members who live in your home.
- For these purposes "family" includes the applicant, applicant's spouse, and all of their children under 18 (natural or adoptive).

	Additional Family Member Name(s)	Date of Birth	Relationship to Applicant
1.			
2.			
3.			
4.			
5.			
6.			

SECTION THREE: FINANCIAL INFORMATION
Provide list any income and assets that members of your household receive.

Income Source	Current Monthly Gross Income - Applicant	Current Monthly Gross Income - Spouse/Other
Employment Income		
All Other Income Sources		

Asset Type	Current Balance - Applicant	Current Balance - Spouse/Other
Bank Account - Savings		
Bank Account - Checking		
Health Savings Account/FSA		

I certify that the information in this application is true and correct to the best of my knowledge. I will apply for any state, federal or local assistance for which I may be eligible to help pay for this medical bill(s). I understand that the information provided may be verified, and I authorize Demo Hospital to contact third parties to verify the accuracy of the information provided in this application. I understand that if I knowingly provide untrue information in this application, I will be ineligible for financial assistance, any financial assistance granted to me may be reversed, and I will be responsible for the payment of the medical bill(s). I grant Demo Hospital permission to contact me using any method provided on this application.

Signature of Applicant: _____ Date: _____

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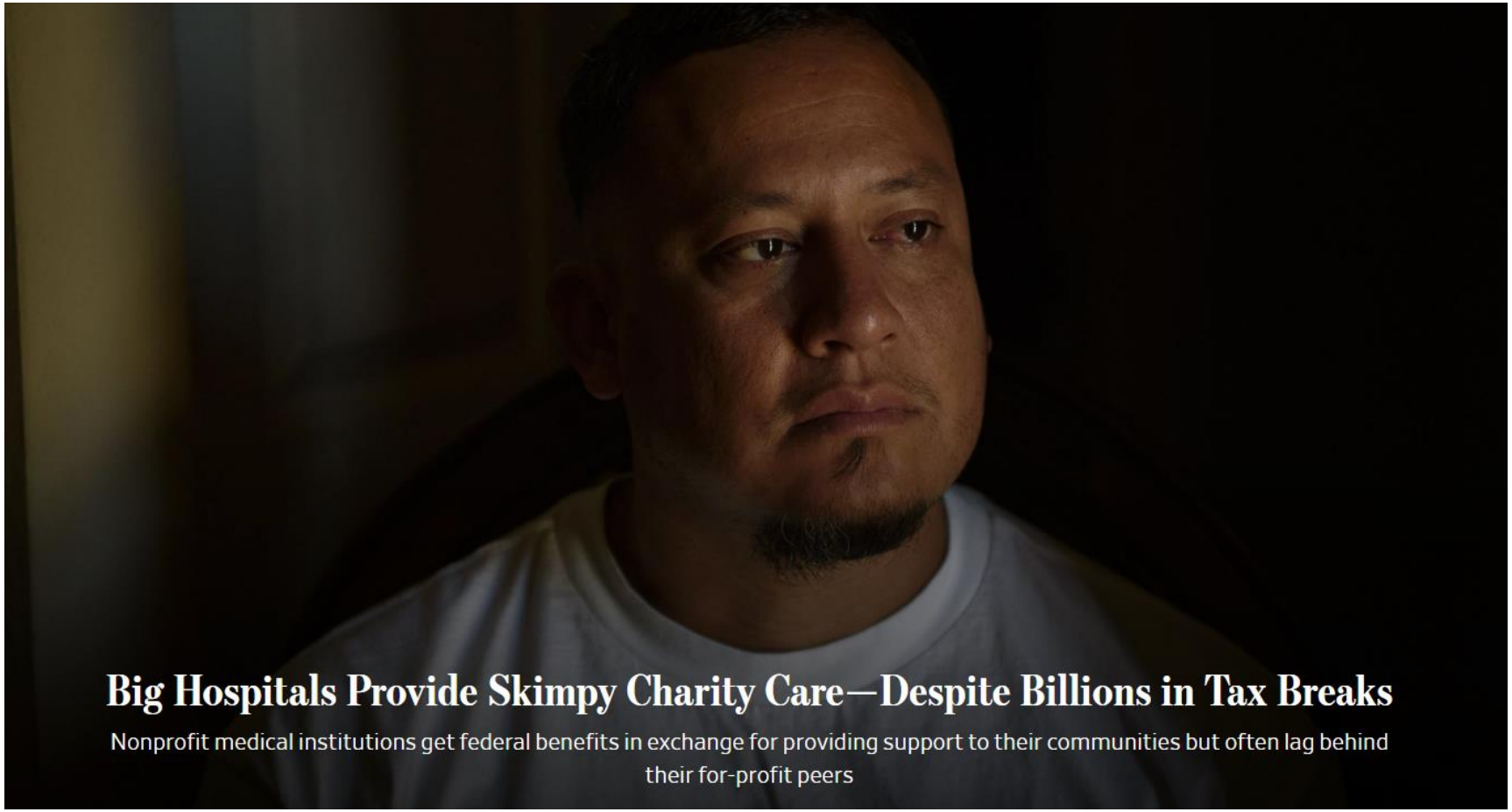
Bonus Section

How is the rollout of 501r is going?

501(r) In the News: New York Times (September ‘22)

501(r) In the News: Wall Street Journal (July ‘22)



501(r) Take Aways

- Financial Assistance/Charity requirements in 501r likely to be strengthened/added to.
- Potential for FA/Charity/UCC benchmarking or rating system. For example:
  - Set a benchmark for charity care as a % of net patient revenue.
  - Recent Health Affairs article recommended a revision to the tax code to change tax-exempt rules for nonprofit hospitals to bring the facilities' provision of charity care into line with their tax status. (They assume tax benefits should equal charity care given.)

Building Effective
Financial Assistance Programs

Scope of the Opportunity

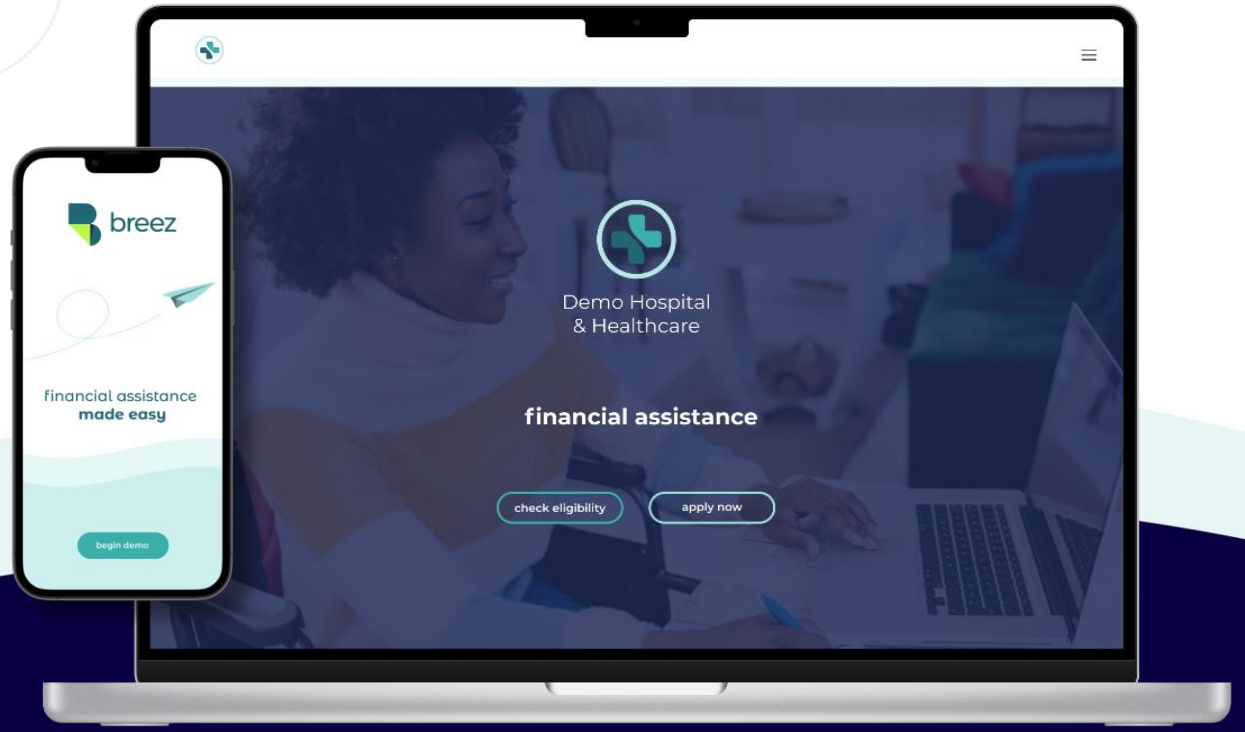
If you send $100k to collections each month -
- You likely place 375 families per year below 200% FPL
- You likely place 975 families per year below 400% FPL
- Represents up to an additional $780k/year in community benefit

If you send $300k to collections each month -
- You likely place 1,125 families per year below 200% FPL
- You likely place 2,925 families per year below 400% FPL
- Represents up to an additional $2.34MM/year in community benefit

If you send $1MM to collections each month –
- You likely place 3,750 families per year below 200% FPL
- You likely place 9,750 families per year below 400% FPL
- Represents up to an additional $7.8MM/year in community benefit

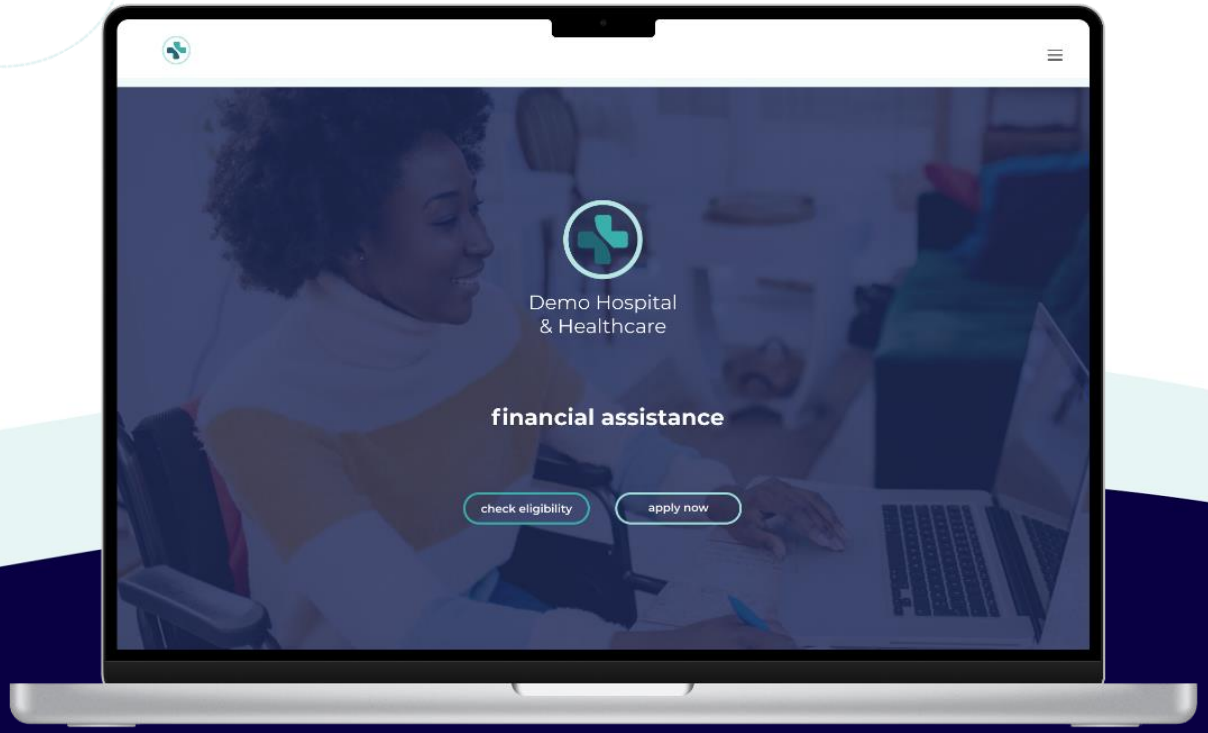
Opportunities in Patient-Friendly FAP

- Elevate Patient Experience
- Reduce the financial burden of care on low-income communities
- Support your non-profit mission
- Reduce administrative costs and burden



Opportunities in Patient-Friendly FAP

- Bill Less to Collect More
- Increase Insurance Revenue
- Increase DSH/UCC Reimbursement
- Increase Medicare Bad Debt Reimbursement



Thank You!

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Sources

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