

# Ease the Pain of Collecting Healthcare Payments

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Monday April 22  
4:30 – 5:30pm

**Kenneth J. Merrill** **Bank of America Merrill Lynch**   
SVP, Healthcare Product Solutions  
Bank of America Merrill Lynch

**Irfan Ahmad**  **The Clearing House**  
VP, Healthcare Payments  
The Clearing House

**NACHA  
DIRECT  
MEMBER**   
Regional Payments Association™

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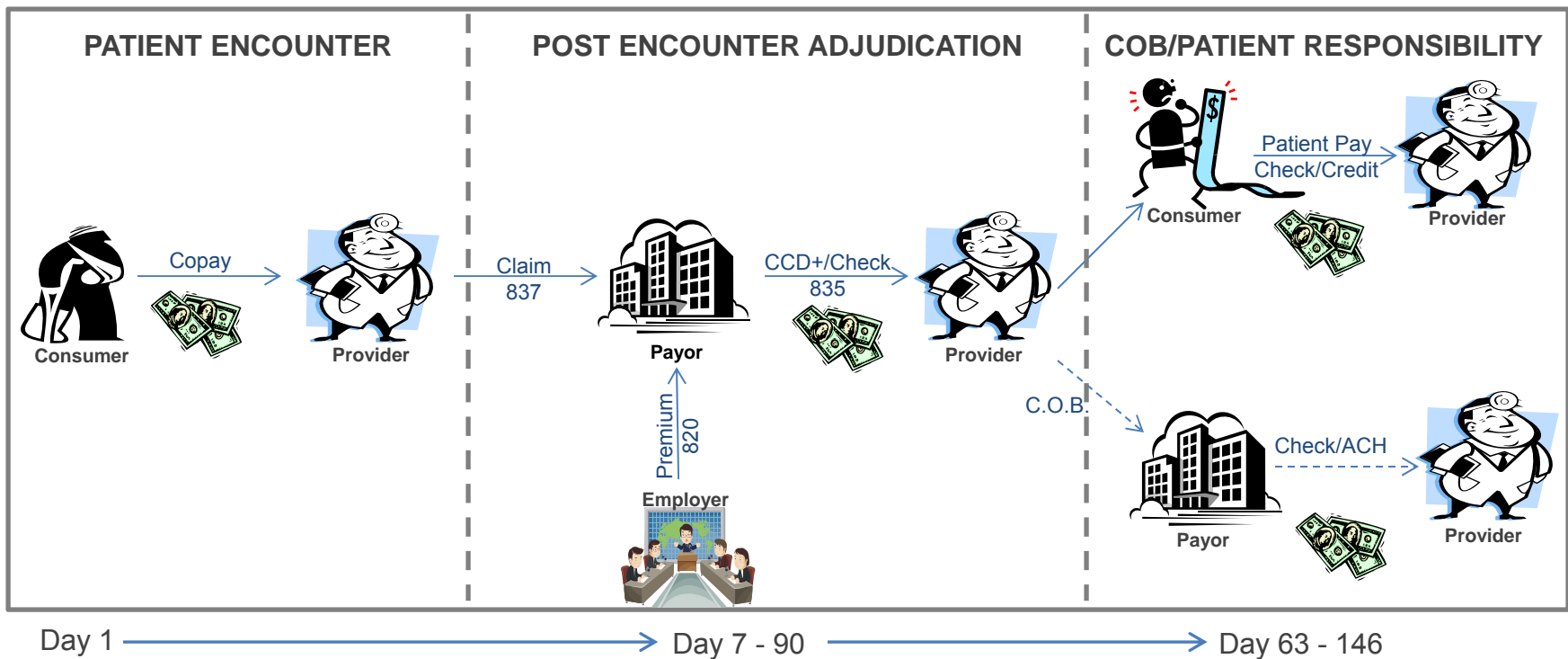
# Agenda

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- Industry overview
- Patient payments in the healthcare market
- Trends and key considerations
- Efficiency and effectiveness of patient payments
- Implications to financial institutions

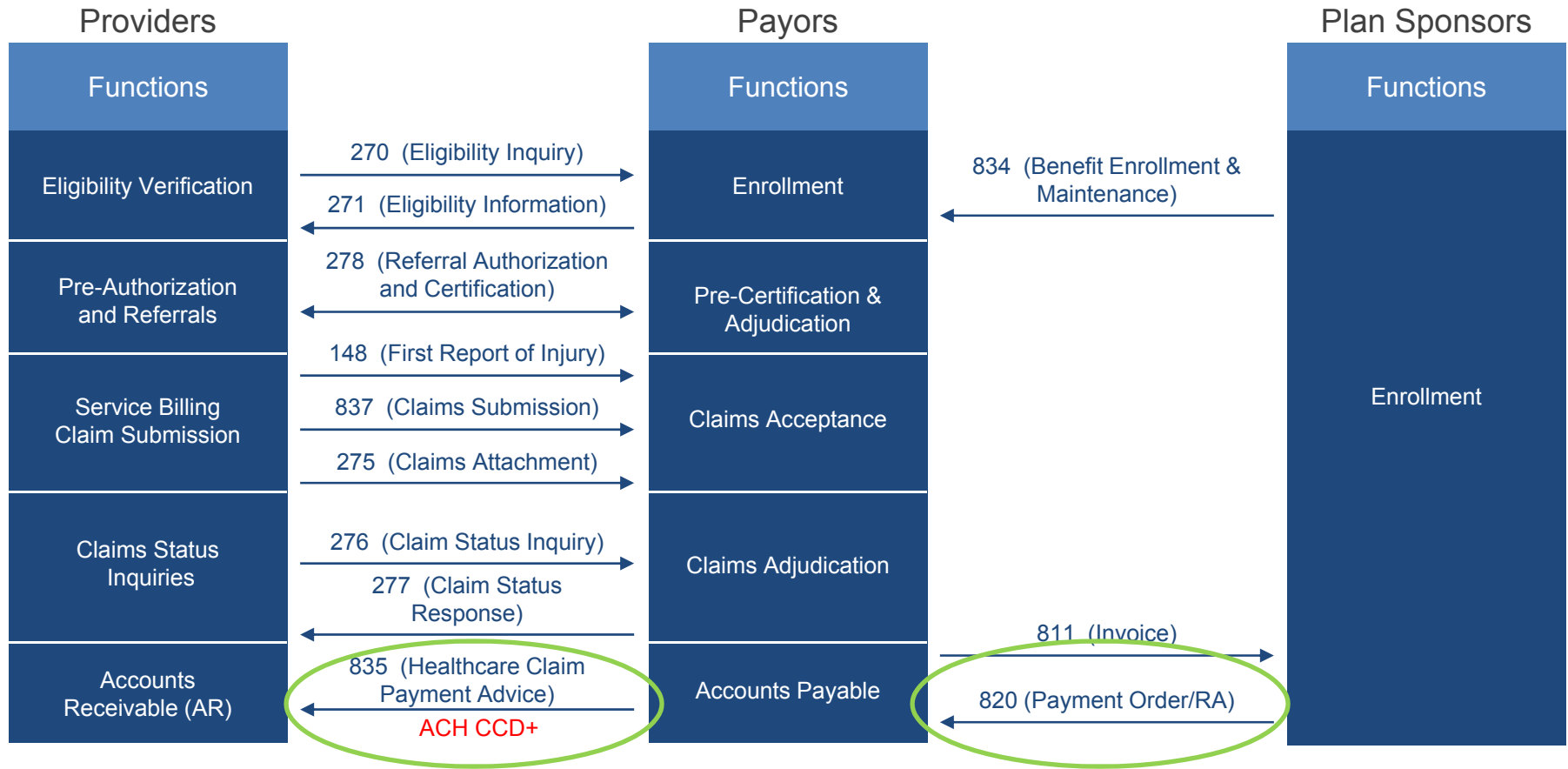
# Multi-Party Payment Process in Healthcare

Healthcare is the only industry where you can receive services and leave before knowing what is due, or paying the bill.



# HIPAA Standards for Electronic Transactions

HIPAA transactions are focused on data exchange and B2B payments.

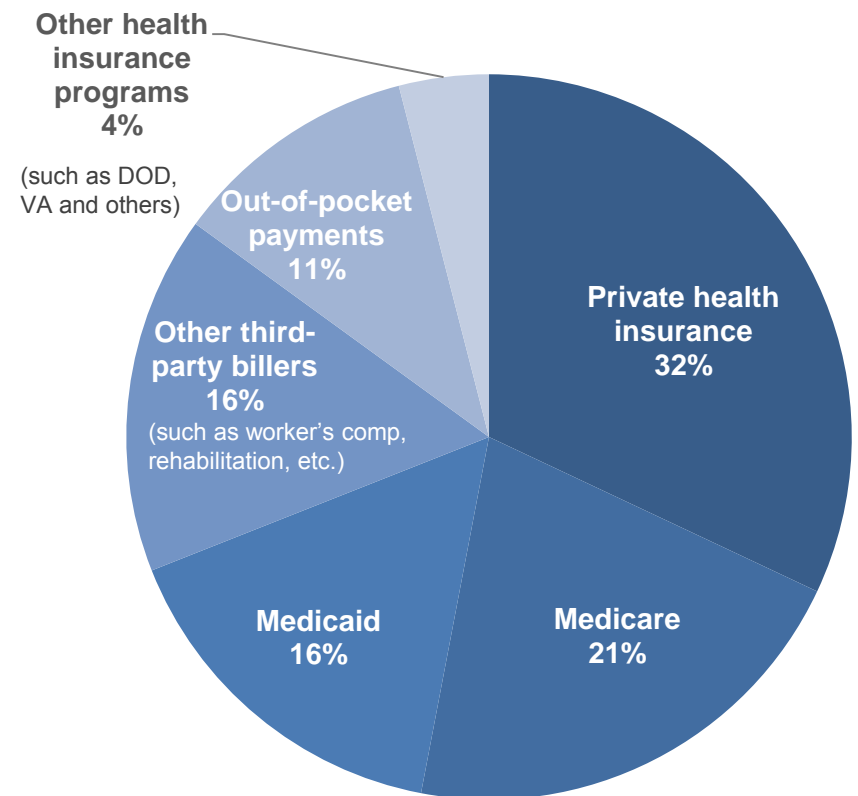


# Healthcare Payments Market

Patient out-of-pocket payments will continue to grow and become a larger portion of provider overall payments.

- Government and private insurance payments still the vast majority, but trending flat-to-downward
- Patient-to-provider payments (out-of-pocket payments, co-pays and post-adjudication payments) currently represents close to 11% of the overall healthcare payments markets; projected to increase to 14% over the next five years

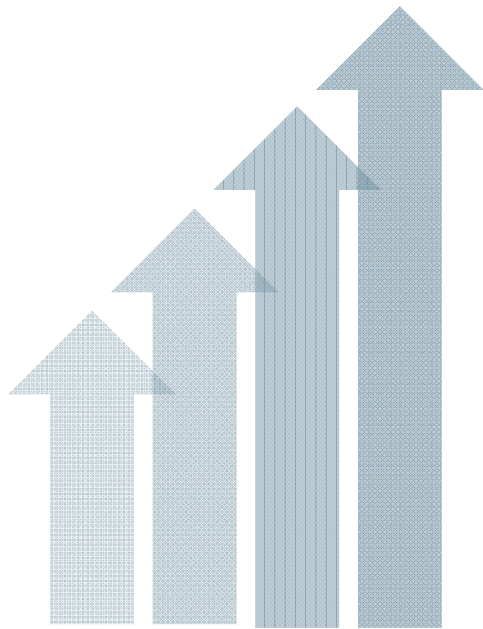
Source: Aite Group



Percentage breakdown of the total healthcare payments market, year-end 2011

# Patient Out-of-Pocket Costs on the Rise

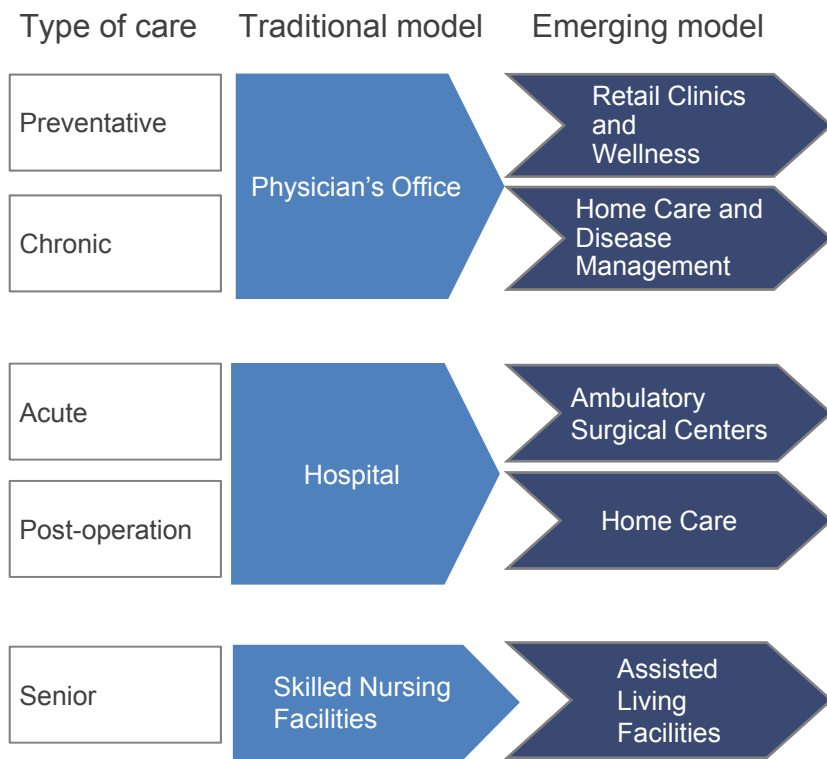
The reality is patient out-of-pocket healthcare costs are increasing, and will be for the foreseeable future.



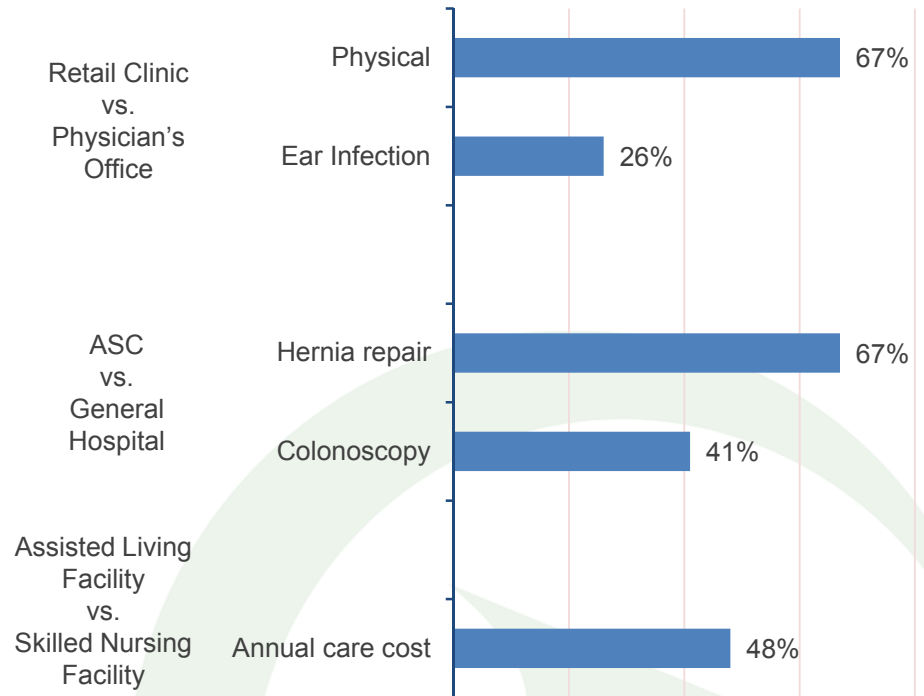
- Increasing number of patient payments
- Increasing time and resources for manually posting patient payments
- Growing demand for multiple payment options
- Increasing risk associated with patient payments

# Lower Cost Alternatives

Increased out of pocket costs driving patients to find lower cost alternatives.



Discounts offered by alternative delivery networks (vs. Procedure cost at traditional provider):



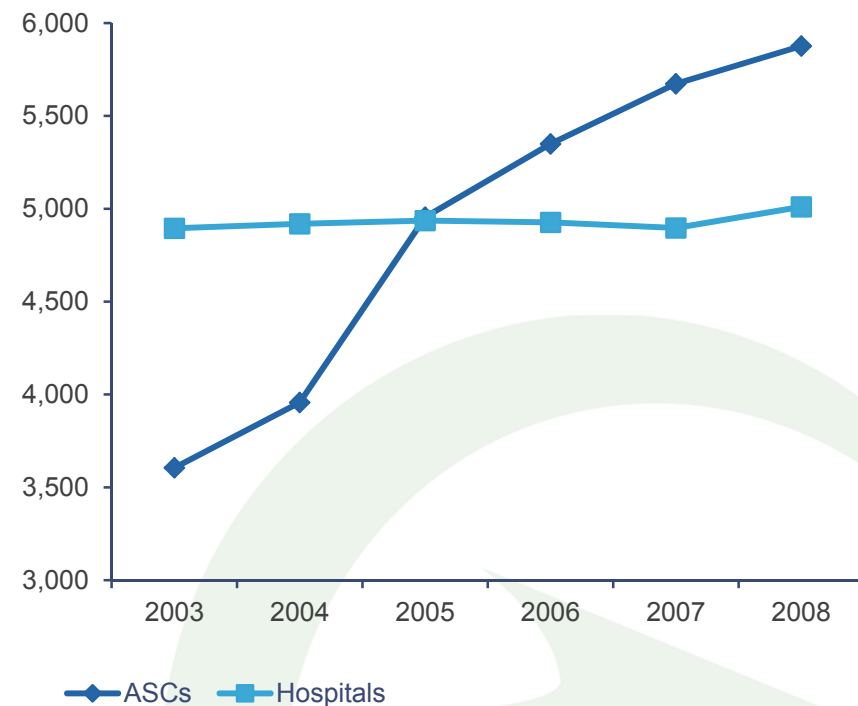
Source: Physician Office Fees - BCBS of Massachusetts, Retail Clinic Fees - MinuteClinic.com; Hernia Repair Fees – “Disruptive Innovation in Education and Healthcare”, Nov. 2007 Colonoscopy Fees – BCBS North Carolina; ALF vs. SNF fees – Metlife Market Report

# Shift to Lower Cost Alternatives

Technology advancements, as well as cost and consumer demand are pushing certain ancillary services outside of the hospital setting.

- Ancillary service providers supply services outside of the hospital and physician offices
  - Ambulatory surgery centers (ASCs)
  - Home healthcare providers
  - Skilled nursing facilities (SNF)
  - Acute rehabilitation facilities
  - Imaging centers
  - Home and inpatient hospice programs
  - Therapies
- Speech therapy
- Occupational therapy
- Physical therapy

Number of ASCs and hospitals in U.S.



Source: PwC Research Institute.,  
AHA.org Trendwatch Chartbook 2010



# Healthcare Trends and Changing Landscape

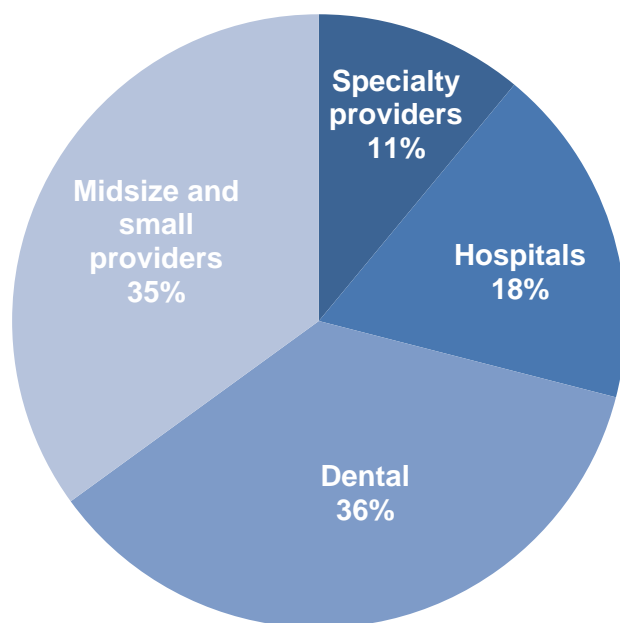
- As the economy recovers, employment grows and the U.S. population ages, medical utilization will likely increase, leading to more consumer healthcare payments and receipts.
- Healthcare reform is anticipated to extend coverage to 32MM previously uninsured people beginning in 2014, which will increase demand for all services.
- Ripple effects of reform could also put additional pressure on insurance rates and shift costs dramatically.
- Electronic payments are on the rise for all transaction flows – businesses, government entities and non-profit organizations plan to double their use of paperless payment technologies over the next three years.
- Providers may realize greater efficiency with e-payments, which can integrate seamlessly with the electronic claims submission process.
- Concerns remain with cost of technology and training staff.

# Challenges Endemic to Patient Payments

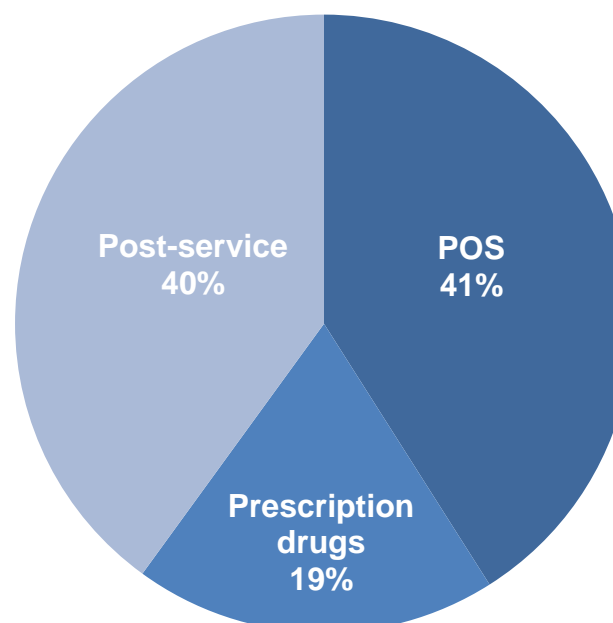
- Bad debt collections (\$65 billion in 2010)
- Self-pay collection rates are at pennies-on-the-dollar
- Patient triage at point-of-service (charity care, Medicaid enrollment, propensity-to-pay)
- Patient refunds
- Patient financing programs
- Healthcare bills still low priority relative to other household expenses

# Patient Payments – Provider Types and Channels

Estimated share of the US \$304 billion patient-to-provider payments market (by provider type), year-end 2011



Estimated market breakdown of the US\$304 billion patient-to-provider payments market, year-end 2011

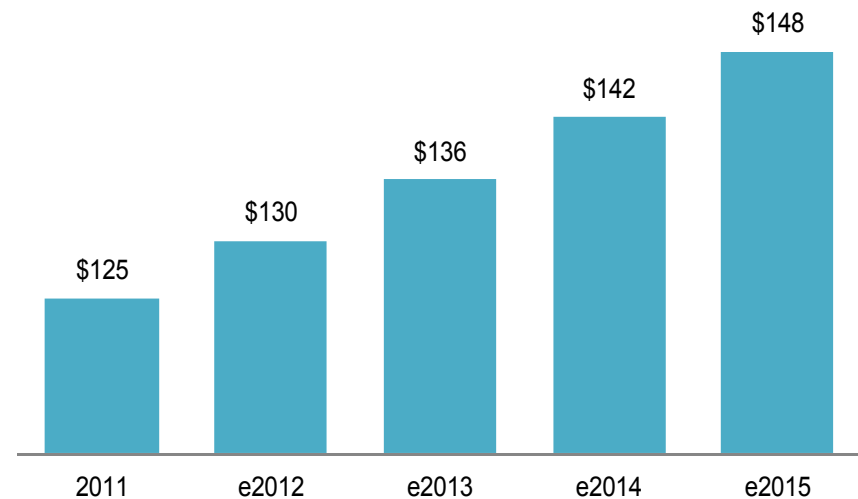


Source: Aite Group

# Importance of Point-of-Service Payments

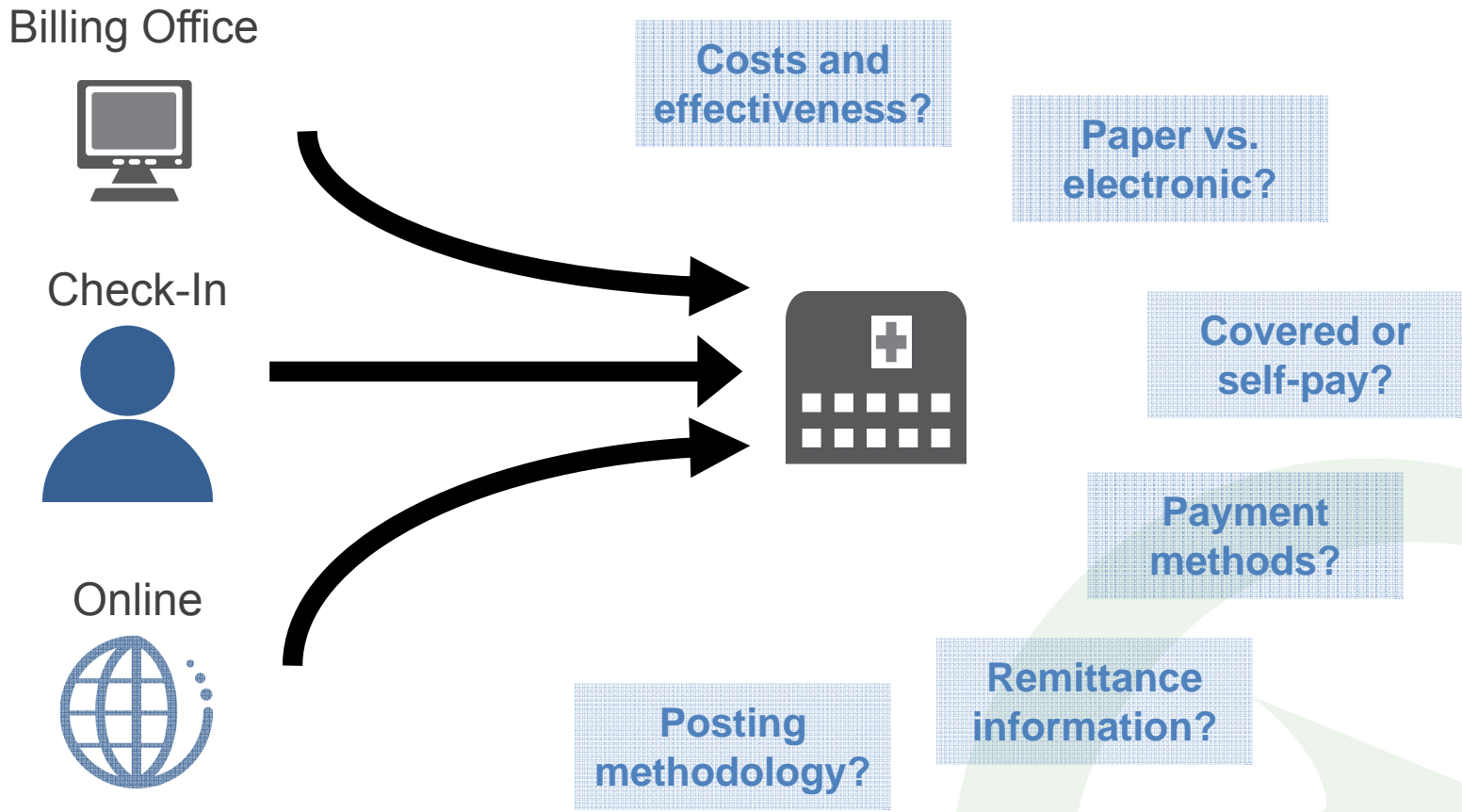
- Growth is expected to be at a steady rate of 4.4% CAGR
- POS market is expected to increase by US\$23 billion from year-end 2011 to 2015
- Out-of-pocket spend will rise steadily post 2014 due to the healthcare reform and shift towards defined-contribution models

Total estimated size of the POS market  
2011 to e2015 (in US\$ billions)



Source: Aite Group

# Managing Patient Payment Channels



# Benefits of Electronic Patient Payments



## FASTER ACCESS TO FUNDS

- Patients and staff can quickly process payments online
- Post payment data more easily to your PAS
- Online payments require no manual processing and little or no effort to collect



## HELPS REDUCE RISK AND FRAUD

- Online payment tools include tracking and audit logs
- Redacted card info stored online



## ACCEPTS MULTIPLE PAYMENT METHODS

- Online portals can process debit and credit card payments
- eChecks (ACH) debits can be initiated for payment

# Leveraging Electronic Payment Applications

## Front Office / Patient Check-in

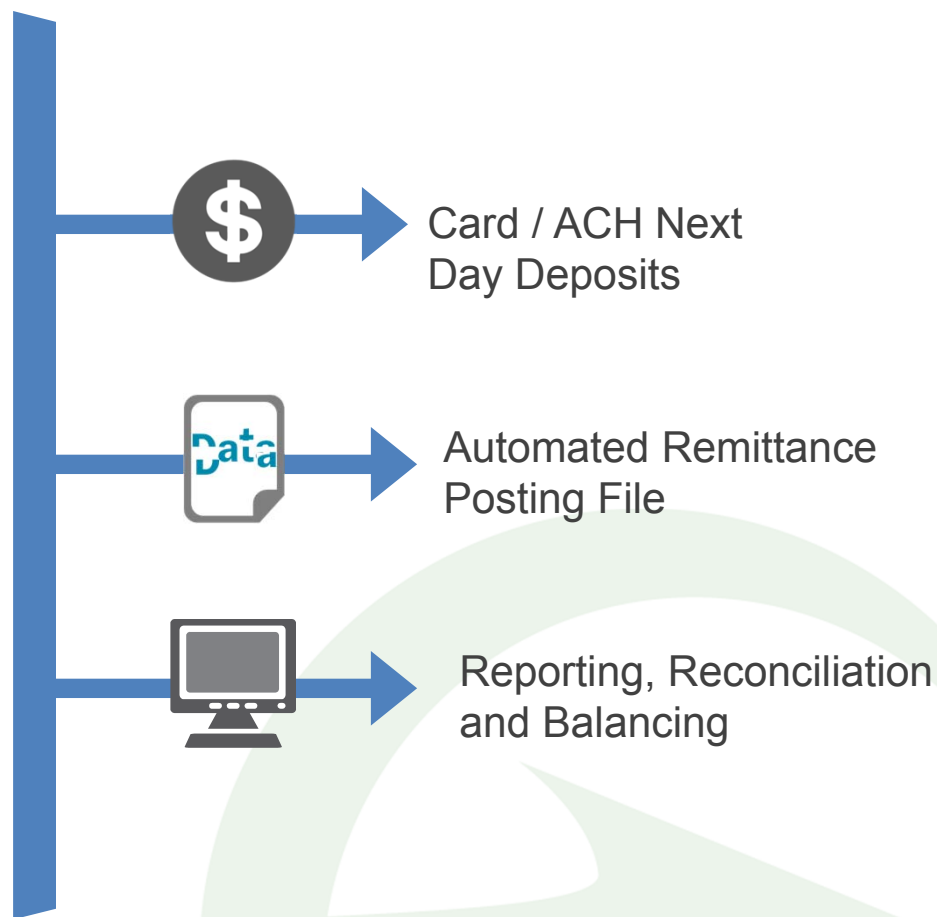
The screenshot shows a web-based interface for patient check-in. It includes fields for patient name, account number, and various payment options. The interface is organized into sections for patient information and payment processing.

- Real-time eligibility
- Check conversion to ACH
- Debit / credit card swipe

## Billing Office / Patient Support

The screenshot displays a billing office interface with multiple sections for patient support. It includes fields for patient name, account number, and various payment options. The interface is organized into sections for patient information and payment processing.

- Real-time XML post from billing office system
- Card and ACH online payments
- Automated workflow



# Benefits of Electronic Patient Payments

## BENEFITS TO PROVIDERS

- Reduced PCI risk and compliance concerns around check handling
- Patient satisfaction
- Accuracy and timeliness of patient eligibility
- Faster availability of funds
- Reduced FTE work and errors associated with manually posting patient payments
- Elimination of duplicate keystrokes from billing office application to payment portal

## BENEFITS TO PATIENTS

- Multiple payment options
- Convenience
- Immediate confirmation of payment receipt
- Assurance payments will be applied correctly to outstanding balances



# Industry Trends Impacting Patient Payments

- High-deductible plans becoming the norm.
- Consumer-driven healthcare pushing people to shop around for services, changing patient behavior.
- Providers must be equipped to have price conversations with patients; neither side has much experience in this.
- Payers starting to post provider cost and quality information on web sites for members.
- Employers giving workers a subsidy for healthcare coverage and expecting them to select a plan and manage their own coverage (mirroring pension-to-401k).

# Emerging Trends in Consumer Healthcare



**Price transparency / competition**



**Integrated care delivery**



**Medical home**



**Mobile devices**



**Personal health records**

# Trends and Implications for Providers

## INCREASING FOCUS ON PATIENT-TO-PROVIDER PAYMENTS

- Providers have made substantial investments in moving from paper EOBs to 835/EFT to process commercial payments, now increasing focus is being placed on patient payments

## REVENUE CYCLE AUTOMATION CRUCIAL TO REDUCING COSTS

- Revenue cycle automation can substantially reduce administrative costs, but also brings new risks – many of those repetitive, manual tasks are the point at which exceptions and errors are identified and resolved

## COMMUNICATION ACROSS GROUPS IS ESSENTIAL

- When moving patient payments from paper-to-electronic, and replacing manual posting with an automated file load, cross-functional teams and feedback from staff helps avoid “pitfalls” of automation

# Providers Must Focus on Patient Payments

Patient out-of-pocket responsibilities will continue to grow and have the potential to adversely impact the providers' bottom line.

- Patient out-of-pocket collection:
  - **Stretches out provider AR**—Estimated three bills are sent before receiving payment
  - **Increases operational costs**—“Collecting a self-pay debt costs an average of \$17.50 per account; this is seven times the cost of collecting from insurance companies” —Tony Reisz, CEO of Ontario Systems<sup>1</sup>
  - **Leads to increased bad debt**—Providers are collecting 50% – 70% for small dollar liabilities due from insured patients and fall to 10% for self-pay patients
  - Standards and operating rules have been focused on B2B payments
- Providers must get ahead of the curve on patient out-of-pocket before consumer patterns are established

1. Healthcare Technology On Line. <http://www.healthcaretechnologyonline.com/doc.mvc/Preparing-For-Patient-Self-Pay-Overload-0001>

2. McKinsey Quarterly: <http://www.healthcarefinancenews.com/blog/engage-more-collect-more>

# An Opportunity for the Financial Services Industry

The time is right for financial institutions to improve the consumer/patient experience while improving the provider's bottom line.

- Key factors are pointing to a need for a patient payment solution:
  - Consumers of healthcare are frustrated:
    - “...74 percent of insured consumers are willing and able to pay out-of-pocket medical expenses totaling less than \$1,000 a year, many fail to make such payments due to a lack of financing options or utter confusion over complex medical billing processes”—McKinsey Quarterly
  - Providers have started identifying patient out-of-pocket as an issue
  - Industry products and work flow services/solutions have predominantly been focused on B2B payments
  - With a continued shift towards consumerism, there is a need for a patient centric revenue cycle
  - Financial institutions are a trusted partner already in the payment stream
  - Opportunity to cross-sell other healthcare and/or treasury service offerings

1. McKinsey Quarterly: <http://www.healthcarefinancenews.com/blog/engage-more-collect-more>



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