Financial Engagement Strategies for the New Healthcare Consumer
Presented by Dan Kutchel
Regional Vice President, CarePayment

Informal Poll

- Are self-pay balances a challenge?
- Is your staff trained to collect at the point of service?
- Do you use balance estimation technology?
- Do you perform charity screenings? Upfront?
- What type of payment options do you currently offer?
- Is there an online payment portal?
- Do you promote or advertise any of your financial services?
Learning Objectives

- In today’s session, you will learn more about the following issues relevant in today’s marketplace:
  - Recognize the enormous opportunity to engage with patients using familiar retail tactics
  - Review patient access technologies to facilitate positive financial communications and improve point of service collections
  - Discover how positive patient financial engagement can impact population health by removing the financial obstacles to obtaining timely medical care
  - Find out how other leading healthcare providers are meeting the needs of patients as consumers
  - Learn how to boost point of service collections while improving patient financial engagement

The Healthcare Affordability Gap

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<thead>
<tr>
<th>For Providers</th>
<th>For Healthcare Consumers</th>
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<td>ACA is driving explosive growth in self-pay receivables: 80% of HIX enrollees have chosen Silver or Bronze plan with high deductibles.</td>
<td>In 2013, Americans named cost as the most urgent health problem in the nation. 83% of Americans or their family members put off medical treatment.</td>
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<td>Providers collect only 10% of balances larger than $500.</td>
<td>50% of Americans cannot come up with $2,000 in 30 days.</td>
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<td>In 2013, US hospitals provided $46.4 billion in uncompensated care. 5.9% of annual expenses.</td>
<td>48% have less than $1,000 to pay for an unexpected hospital visit.</td>
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<td>As the number of insured with high deductible health plans doubled to 21% in 2013 from 10% in 2009, the average median debt for providers rose 48% to approximately $39 million.</td>
<td>53% would need to borrow from a 401(k) or use a credit card.</td>
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Sources:
1. Health and Human Services Department, January 13, 2014
4. AHA, “Uncompensated Hospital Care Cost Fact Sheet,” January 2015
6. Gallup Poll December 2014
8. Aflac Workforce Report 2014
9. US Census, 2011 County Business Patterns
10. Nerdwallet Health study, June 2013
Three Waves of Consumerism in Healthcare

1st Wave: Rise of Consumer-Directed Health
- Transition driven by introduction of CDH plans and various cost-sharing mechanisms
- Early CDH plans had minimal success in getting consumers to manage their health

2nd Wave: Initiating Transparency & Engagement
- Consumers learn to “shop” and navigate the healthcare system
- New demand for solutions to support consumer decisions and provide transparency

3rd Wave: Enabling a “Fully Retail” Industry
- Need for a “retail” approach as balance has shifted toward the consumer
- Personalized approach to address individual needs and drive engagement

Consistent theme: Focus on patient satisfaction in financial engagement

Are you ready for a fully retail healthcare industry?

Source: TripleTree, LLC

Affordability Gap + Consumerism = Necessity of Patient Financial Engagement

- **Price Transparency**
  95% of patients surveyed* say it is important to know their costs upfront.

- **Flexible Financing**
  96% of those surveyed* feel it is important to understand their payment options in advance. People expect to have financing options when making purchases, including healthcare. Enable them to get the care they need, when they need it, without financial concerns standing in the way.

- **Personalized Experience**
  Pre-service financial intelligence coupled with flexible financing solutions enable providers to help patients find affordable options for managing medical expenses.

- **Convenience**
  Consumers expect to pay in a variety of ways, including online and via mobile devices. Options like automatic payments, eStatements, and paperless billing are basic expectations.

*Based on survey of more than 400 CarePayment account holders, August 2014.

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Patient Financial Engagement

**Best Practices Workflow**

- **Promote** financial options pre-service, via community marketing, facility signage, public relations, and online.
- **Connect** with patients early through multiple channels: in person, online, via phone.
- **Estimate** balances pre-service so patients can make informed, confident decisions about their care and payment options.
Best Practices Workflow

**Navigate**

- **Identify** patients with identity validation tools to reduce medical fraud and optimize collections.
- **Evaluate** ability to pay and likelihood to qualify for financial assistance with screening and segmentation tools.
- **Offer** payment options customized to the patient’s unique needs.
- **Confirm** patient’s action plan for paying their bill, including participation in a financing plan.

**Capture**

- **Engage** patients post-service with online and offline tactics to reinforce their plan and offer resources.
- **Manage** patient accounts by sending statements, following up on past due balances.
- **Nurture** patient loyalty by providing access to financial options that accommodate repeat business.

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Flexible Payment Options Improve Patient Satisfaction and Loyalty

CarePayment commissioned an independent, random survey of more than 400 account holders in October 2015.

- 95% are satisfied with the billing experience now that they are using CarePayment
- The availability of CarePayment results in 87% of respondents becoming more satisfied with their provider
- 79% of respondents are more likely to recommend medical providers that offer the CarePayment program to help pay medical bills
- 79% of respondents feel the CarePayment program removed barriers to care
- If there were two good hospitals located near a customer and one offered CarePayment while the other did not, the availability of CarePayment would influence more than two-thirds of respondents

Improved Financial Performance

Financial Impact Analysis: Early Engagement

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<th>Without Patient Financing Option</th>
<th>With Patient Financing Option</th>
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<td>Collections</td>
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<tr>
<td>Bad Debt Expense</td>
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</tr>
<tr>
<td>36%</td>
<td>15%</td>
</tr>
<tr>
<td>64%</td>
<td>85%</td>
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77% Reduction in Bad Debt Expense

Based on CarePayment Patient Cycle Analysis data between August 2012 and March 2014. Sample included 45 healthcare providers, 1.25 million patients, and $5.85 billion in total charges.
Improved Financial Performance

**Financial Impact Analysis: Late Stage Engagement**

### Without Patient Financing Option
- Collections: 5%
- Bad Debt Expense: 95%

### With Patient Financing Option
- Collections: 37%
- Bad Debt Expense: 63%

**34% Reduction in Bad Debt Expense**

Based on CarePayment Patient Cycle Analysis data between August 2012 and March 2014. Sample included 45 healthcare providers, 1.25 million patients, and $5.85 billion in total charges.

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**Insertion Points for Patient Financing Options**

**Standard POS collections**
- Co-pays
- Deposits
- Prompt pay discounts
- Charity care

**Promote patient financing options at various stages**
- Pre-registration
- Point of service
- Discharge
- Post-service patient inquiry
- Statement messaging
- Pre-bad debt

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Patient Financing is Strategic

- Market your financial options as a cornerstone of your retail strategy
  - Competitive differentiator in the market
  - Encourages repeat business
  - Removes financial barriers to obtaining timely medical care
  - Engages patients as consumers

“We were competing with the furniture store down the street and its two-year financing at zero percent. Without the same financing option at our hospital, people were buying a couch before taking care of their health.”

- Dan Hogan, CFO, DeSoto Memorial Hospital

Financing is a familiar and effective component of the retail experience.

Research

- What does the consumer research say?
  - Retail shift occurring in healthcare: “patient-friendly” to “consumer-friendly”
  - Consumers want more information and options that meet their needs
  - Transparency is key
Research, continued

Attitudes

- Most consumers are frustrated by healthcare costs and can relate to challenges caused from high out-of-pocket medical expenses
- However, even those who have experienced multiple collection attempts for outstanding medical bills do not harbor ill will against the provider
- They understand that these bills need to be paid, they just don’t have the money to pay them right now
- Many admit that they have chosen not to seek medical care because they do not have the money to pay for it

Research, continued

- Your brand is powerful
  - Patients trust you
  - When your logo appears on billing materials, it creates stronger engagement - materials are more likely to be opened and read
- Simplicity and transparency are key
  - Participants want payment information to be clear, simple and transparent
  - Communicate pricing and payment options early and often; 96% want to know the price and 95% want to know their payment options up front
  - Offer clear direction and multiple channels for taking next steps and finding contact information
Engagement Strategies to Maximize Collections

Front-End/Point of Service

• Don’t be afraid to ask for money; patients expect to be asked to pay their bill
  – Once a patient leaves the building, the likelihood of recovery goes down significantly
• Give the patients options so they can’t say no
  – Cash, Check, Charge
  – Negotiate with the patient
  – Be willing to offer prompt pay discounts
  – Providers are increasingly giving prompt pay discounts to self-pay after insurance balances

Front-End/Point of Service (cont’d)

• Allow them to pay over time, interest-free
  – Leverage patient financing as an additional tool to engage patients
  – Average collection rates, regardless of Financial Class are 59-75%.
• Strategic Engagement
  – Offer patient financing for subsequent services, physician visits or new service lines that are being built up
  – Maintain revenue, increase collections, and increase patient satisfaction and loyalty
**Engagement Strategies to Maximize Collections**

**Back-End/Post Discharge**
Maximize collection efforts based on detailed pool analysis
- Emphasize payment in full for SP within first 30 days of billing and 60 days for self pay after insurance
- Once collection performance begins to diminish, adjust collection strategy.
  - Fewer people are going to pay as the receivables age if you don’t try to engage them in a different manner
  - Increase payment options as receivable ages to increase engagement

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**Engagement Strategies to Maximize Collections**

**Back-End/Post Discharge (cont’d)**
- Give patients the option to finance their out of pocket expense instead of going to collection
- Engage patients based on margin contribution and revenue growth opportunity, making front end collections easier.
- Give them something that they can re-use so that when they come back in the front end collections is easier and more rewarding for your organization.
Compliance with Consumer Lending Regulations

- As patient financial responsibility increases, healthcare providers are looking for ways to bridge the financial gap for their patients and for themselves.
- Regulatory agencies and plaintiffs lawyers are increasingly focused on consumer credit policies and practices.
- Whether you offer payment plans directly or outsource to a third party, you must comply with many state and federal consumer credit regulations.

Did You Know?

If you offer payment plans of four installments or more, you are considered a creditor and are subject to consumer lending laws and regulations including:
- Truth in Lending Act / Regulation Z
- Equal Credit Opportunity Act / Regulation B
- Office of Foreign Assets Control (OFAC)
- Gramm-Leach-Bliley Act / Safeguards Rule
- Bankruptcy Code
- Service members Civil Relief Act
- State Debt Collections and Servicing Laws

IRS 501(r): What You Need to Know

- Financial Assistance Policy
- Extraordinary Collection Efforts
- Notifications and Timelines
- Debt Sales and Compliance
Takeaways

Patients will be paying more of the bill and will approach healthcare market as a consumer.

Patients want to know the price and their payment options as early in the revenue cycle as possible.

Consider advanced reporting methods, such as Pool Liquidation Analysis for better tracking, benchmarking and analysis.

Adopt retail best-practices, such as patient financing, to meet financial needs and bolster patient loyalty.

Be aware of consumer credit regulations and ensure your payment plans are compliant.

Q&A