Optimizing Patient Collections

1. Patient collection is mission critical
2. Collection processes that work
3. Self-pay policies that work
4. Establish a credit card on file program
5. Implications of Affordable Care Act
6. Best practices for self-pay you can execute today
The number of patients with high-deductible commercial plans continues to grow. Effective collection of patient copay and additional financial responsibilities must be a priority for a practice to stay on the path of financial health.

"Collecting from self-pay, high-deductible, or health savings account patients is one of the biggest challenges for medical practices."

Susan L. Turney | MGMA CEO MD, MS, FACMPE, FACP
Patient collection is mission critical
Getting paid for what you do is critical.

Today, a greater percentage of practice revenue than ever is coming from patients. And with healthcare premiums exceeding the rate of inflation every single year for the past 14 years, better performing practices are taking every step possible to minimize bad debt and optimize patient collection.

88% increase in commercial deductible amount since 2006

What you collect from insurance companies covers your overhead. What you collect from patients goes to your bottom line.

Medical Economics

% of Revenue from Patients

According to a 2013 study on Patient A/R by SuccessEHS, only 21% of patient balances not collected up front are ever collected. Only 21%! That’s why it’s never been more important to proactively bill patients and collect balances at every opportunity.

No amount of cost cutting can compensate for inadequate patient collections. According to a 2013 study (we did this math independently), a practice would have to cut costs by 31% to make up for lost patient revenue. What are the odds you can find a way to cut 31% of your overhead? What are the odds that these cuts would have an adverse effect on the level of care delivered to your patients?

Source: SuccessEHS
Collection processes that work
According to a 2012 survey\(^1\), about 60% of Americans are insured through their employers. To cut costs, these employers are passing fees on to employees through increased copays, deductibles, co-insurances, and decreasing overall benefit coverage.

Determining patient responsibility at the time of service, through technology and best practice, gives providers the opportunity to ask patients for payment at check-in. That all starts with checking a patient’s eligibility. So use an eligibility tool to verify a patient’s eligibility, plan specifics, copays and deductibles.

It is important to check eligibility so you can:

- Obtain upfront collection of copays and deductibles
- Eliminate claim denials, claim resubmittals, and unpaid patient balances in A/R
- Verify insurance coverage and benefits before patients are seen

\(^1\) SOURCE: 2012 Survey of Employer Sponsored Health Benefits conducted by the Kaiser Family Foundation, NORC at the University of Chicago, and the Health Research and Educational Trust
Estimate total patient responsibility for procedures and everyone wins.

Costs of procedures can be quite high and patients do not want to know how much their procedure will cost, they want to know how much it will cost them. This involves calculating procedural charges, analyzing historical data, evaluating contract pricing between your organization and the payer, and applying patient insurance benefit information to establish an estimated patient financial obligation at the earliest point of patient contact.

Benefits of pricing estimation:
• Increase price transparency
• Increase point-of-service collections
• Improve patient satisfaction
• Reduce days in accounts receivable

Help your patients pay upfront.

According to a 2012 study, 78% of patients know their financial responsibilities, but do not commonly volunteer payments if not asked at time of service. But there are ways to get creative in collections. For example, universal kiosk technology, like that now used in airports, offers a familiar way to improve upfront collection of patient copays and outstanding balances, as well as increase check-in efficiency. Technology is not averse to asking for payment like some employees are.

With this type of technology, patients can view their bills and pay with a credit card, eliminating the need for costly letters or phone calls. This solution streamlines collections and increases office efficiencies.

Key workflow areas that positively affect collections.

To ensure optimal self-pay collections (both true self-pay and self-pay after insurance), it is crucial to understand where and how you can affect collection performance. This workflow chart can provide valuable tips on when, where, and how to improve collections.

Comparing the methods of collecting part of a patient balance before a statement goes out shows some methods are more complex than others. For example, any estimation of patient balance after insurance will require contract maintenance, which can be difficult.
Comparing Methods of Collecting Patient Balance at Time of Encounter

### ASPECTS TO CONSIDER

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Collect Copay</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Same Day</td>
<td>Low</td>
</tr>
<tr>
<td>Eligibility Request (to determine met deductible &amp; copay)</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Possibly</td>
<td>No</td>
<td>Same Day</td>
<td>Medium</td>
</tr>
<tr>
<td>Estimate Patient's Responsibility (scope - procedures)</td>
<td>No*</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Possibly</td>
<td>No</td>
<td>Possibly, same day possible</td>
<td>Medium - High</td>
</tr>
<tr>
<td>Estimate Patient's Responsibility (scope - all services)</td>
<td>No*</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Possibly</td>
<td>No</td>
<td>Possibly, same day possible</td>
<td>Medium</td>
</tr>
<tr>
<td>Hybrid - Check deductible then use estimator (scope all services)</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Possibly</td>
<td>No</td>
<td>Possibly, same day possible</td>
<td>High</td>
</tr>
<tr>
<td>Credit Card on file</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Copay same day, Balance = insurance turnaround</td>
<td>Low</td>
</tr>
</tbody>
</table>

Efficiency level based on the strain on resources to deploy compared to degree of revenue optimization.

- **Low Efficiency**
- **Medium Efficiency**
- **High Efficiency**

*Collection methods subject to change.
Self-pay policies that work
Incentivize your patient and everyone wins.

Because patients pay their balances slower than third-party insurers, providers should incentivize patients to resolve balances quickly, ideally at time of service. A 2010 MGMA study shows that 74% of better performing practices assist patients with finances, offering financial incentives to resolve balances faster. This approach is mutually beneficial to both patient and provider.

Often, lack of payment may not be due to a patient’s inability to pay. Therefore, providers should help patients resolve medical bills by offering more financing options. Many patients want to settle their balances when given a payment plan.

**Stated Reasons for Nonpayment, Percentage of Insured Respondents**

- Lack of financing options: 37%
- I just received my statement: 19%
- I forgot to pay or was confused about what I owe: 17%
- Healthcare is a right, I shouldn’t have to pay my bill: 19%
- Other: 8%

**SOURCE:** 2009 McKinsey Survey of Retail Health Care Consumers
How effective are collection agencies?

According to ACA International, on average a practice recovers just $13.80 for every $100 owed once a patient’s bad debt is turned over to a third-party collection agency. The majority of money collected by agencies is from the first letter sent to the patient.

To head this off, practices need to establish bad debt policies, make patients aware of them, and enforce them. Target bad debt aggressively and use an outside collection agency only if absolutely necessary. Using collection agencies is often less successful and not as profitable. Good bad debt policies and better point-of-service collections can reduce the need for collection agencies.

### Average Collection Agency Recovery Rate

- **Lost recovery**: 13.8%
- **Average collection rate**: 86.2%

### Typical Collection Agency Cost:

- **25% – 30%**

The average recovery rate for collection agencies:

- **13.8%**

Source: ACA International
Establish a credit card on file program
For the best collection optimization, establish a credit card on file (CCOF) program. This accelerates collections and improves cash flow. But it should only be offered if card information can be stored according to PCI guidelines and payer contracts allow for this.

Credit card processing is an important part of:
- Managing payments
- Maximizing revenue
- Maintaining the financial health of a practice

It is recommended that practices which accept credit/debit cards, or use a credit card on file program, become familiar with their credit card processing statement and keep looking for lower rates and better terms.

As a provider, your business is valuable to credit card processors, and you have the hammer in competing on price. Don’t sign a contract for processing. This allows you to shop around at any time for better pricing. Otherwise, you may spend too much on processing charges.

Use technology to speed credit card payments.
It all starts with the right technology. With the right practice management (PM) system, you can automate and configure triggering of credit card processing at time of service. Look for a PM system that allows you to store a unique identifier while the actual credit card info is kept in your credit card company’s PCI-compliant system. This unique identifier in the PM system allows for A/R-related processes like those that trigger auto-payment and auto-PM payment posting.
Steps for configuring a successful CCOF program.

Patient Check-In:
- Insurance Card
- ID
- Credit Card

Collect/Charge Copay

Encounter/Claim Submission

Receive ERA/EOB

Trigger Auto-Payment using credit card on file

Auto-post to PM System

Recurring Payment if needed

New Process

New Required Automation
**Results of implementing a credit card on file program.**

<table>
<thead>
<tr>
<th>Change</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved Collections</td>
<td>Patient balances collected are in the MGMA 90th percentile</td>
</tr>
<tr>
<td>Improved Cash Flow</td>
<td>Steadies cash flow, stabilizes finances</td>
</tr>
<tr>
<td>Statements Eliminated</td>
<td>Reduces collection expense, deposits, and staff workload in posting payments</td>
</tr>
<tr>
<td>Automated Electronic Payment Plans</td>
<td>Policy-driven but flexible, secure; “set it and forget it”</td>
</tr>
<tr>
<td>Manual Patient Refunds Eliminated</td>
<td>It’s easier and faster than refund checks; reduces staff workload and improves patient satisfaction with fast refunds</td>
</tr>
<tr>
<td>Bounced Checks Eliminated</td>
<td>Reduces/eliminates in-house collection expense</td>
</tr>
<tr>
<td>Deposits Reduced /Eliminated</td>
<td>Possible to stop operating a cash drawer; CCOF requires no deposits</td>
</tr>
<tr>
<td>Faster Check-in &amp; Checkout</td>
<td>No need to check patient balances and ask for payment</td>
</tr>
<tr>
<td>Paper Receipts Reduced/Eliminated</td>
<td>Possible to eliminate receipts; save time and expense</td>
</tr>
<tr>
<td>Collection Agency Fees Eliminated</td>
<td>No need to send to collections unless credit card expires</td>
</tr>
<tr>
<td>Cash Drawer Issues Reduced/Eliminated</td>
<td>Reduces risk of theft, eliminates handling of money</td>
</tr>
</tbody>
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Implications of the Affordable Care Act
A promising outlook.

The future of the Affordable Care Act (ACA) promises some positive outcomes, including allowing practices to access more specific real-time adjudication from carriers. When this change does come about, it will mean greater patient responsibility collections accuracy. Currently, there are several loopholes that keep participating practices out of luck when it comes to receiving their money.

Affordable Care Act loophole.

Under the ACA, insurers are obligated to give a three-month grace period for policy premium payments. This means insurers have to keep people active for three months of coverage from the last payment, but only pay benefits for the paid month. What does this mean for you? It means providers won’t get paid by insurers for the previous two months if their patient doesn’t pay their premium.

- Health plans will pay for the first 30 days after a patient misses a premium payment
- Days 31 to 90 may result in withheld payments to physicians – or retroactive takebacks

### The Exchange’s Three-Month Grace Period for Non-payment of Premiums

<table>
<thead>
<tr>
<th>First month of delinquency</th>
<th>Second month of delinquency</th>
<th>Terminated after three months of delinquency</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Normal payment of claims</td>
<td>• Plan has the option to pend claims for services performed until the enrollee pays the outstanding premium balance</td>
<td>• Plan has the option to deny all claims for services performed in the second and third month of delinquency</td>
</tr>
<tr>
<td>• Plan effectively treats this month as paid even if enrollee is eventually terminated for non-payment</td>
<td>• Providers submitting claims during these months are notified to the potential for a denied claim</td>
<td>• Providers may seek payment for denied claims from the patient</td>
</tr>
<tr>
<td>• No provider notification of the patient’s delinquency</td>
<td>• If enrollee pays off the premium balance, providers’ claims are paid at that time</td>
<td>• Patients may then enroll in a different exchange plan during the next open enrollment period regardless of whether they pay off premium balance with previous insurers</td>
</tr>
</tbody>
</table>
Average Deductible on Health Exchanges.

The trend of high deductibles and higher out-of-pocket expenses is not going away. With some of the new exchange plans, the options leave patients with deductibles as high as $5,081. Examples of these plans and deductibles include:
Self-pay best practices you can execute today
Self-pay best practices you can execute today.

1. Have a thorough plan as it relates to workflow at the front desk and patient check-in.

2. Consider implementing these self-pay policies:
   - When patients call for an appointment, if there is an outstanding balance, try to collect it on the call or ask them to be prepared to make the payment at their appointment.
   - When making the appointment, the patient should be reminded to be prepared to make their copayment at their visit.
   - When the patient arrives at the visit, the copayment should be collected as well as any other outstanding balance.
   - Additional steps can be taken to ask patients to sign an agreement to take future funds from their credit card on file. This should only be offered if the credit card information can be stored according to PCI guidelines.

3. Implement some creative ways to collect patient payments other than traditional statements, including:
   - Electronic point-of-service check-in solutions (Kiosks & hand-held)
   - Patient Portal
   - E-statements
   - Stop seeing patients who owe money

“Using our electronic point-of-service check-in solution, practices increase collections by 13% on average. Some practices see results as high as a 50%-90% increase per patient encounter.”

Chaim Indig | CEO | Phresssia
Prepare your practice to succeed.

The “self-pay” patient population is dramatically changing and growing. Since January 2014, a large influx of previously uninsured individuals has moved into insurance coverage options, either through Health Insurance Exchanges/Marketplaces or through expansion of Medicaid programs. To continue generating consistent cash flow, practices need to ensure they develop proactive policies and procedures to identify, educate, and verify which patients are self-pay and which have limited, supplemental, or full coverage.

“Thousands of dollars can be lost every year if a doctor’s office does not diligently bill patients and collect outstanding balances from them. In short, patient receivables can be the difference between having a profitable and an unprofitable practice!”

HMBA February 2013
Take the Next Step.

To learn more about self-pay best practices and how to improve your bottom line, contact us today at RCMServices@nextgen.com or call toll free 314.989.0300.