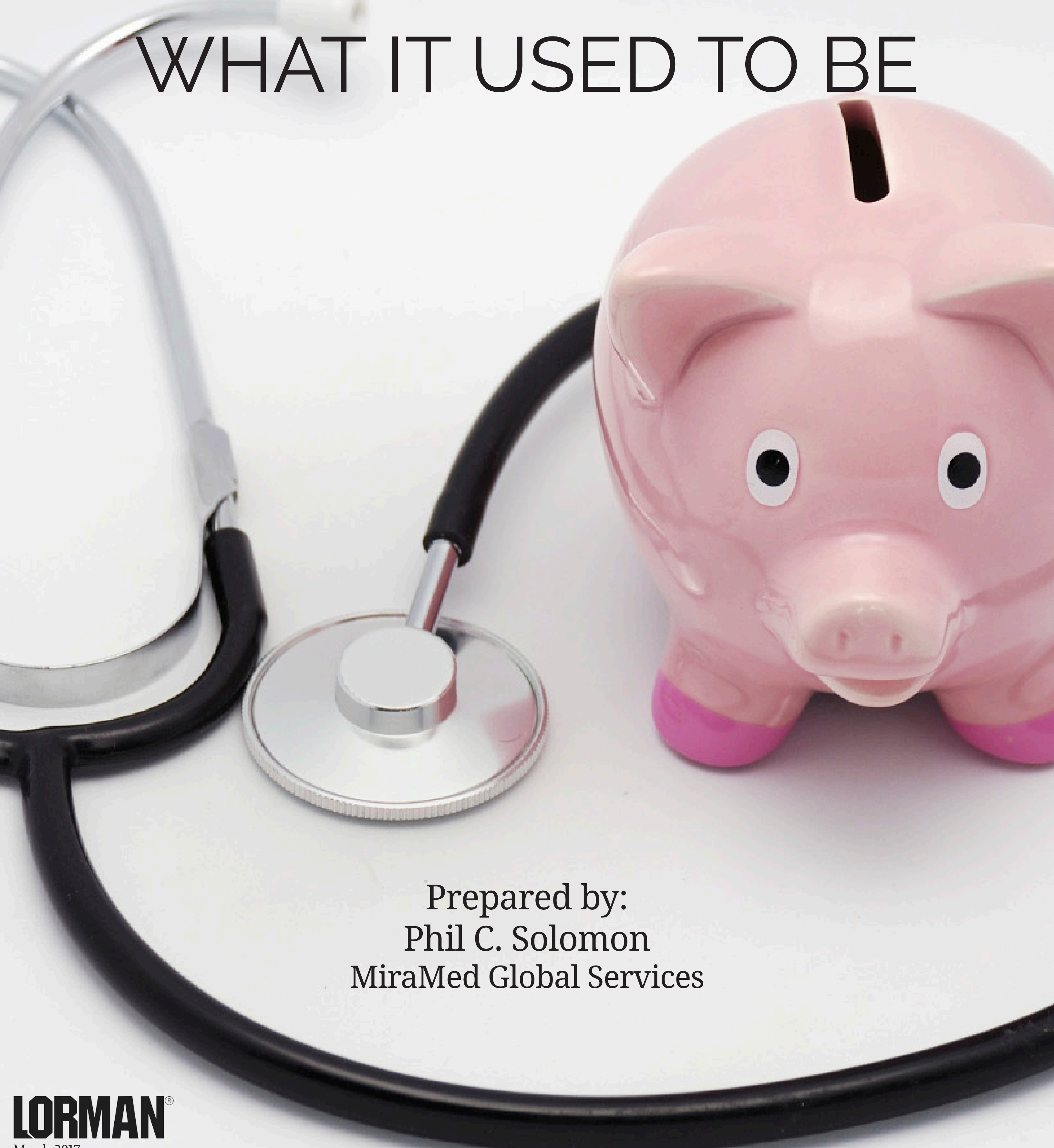
THE FUTURE OF HEALTHCARE JUST AIN'T WHAT IT USED TO BE



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LORMAN®
March 2017

The Future of Healthcare Just Ain't What it Used to Be

Baseball is America's past-time and Yogi Berra was one of its most colorful heroes. Berra was an 18-time All-Star, appeared in 14 World Series as a member of the New York Yankees and won 10 championships. He was a sportswriter's favorite because he had countless expressions and phrases that were memorable because most of them didn't make any sense. A warmhearted personality, he became famous for delivering brilliantly awkward sayings, such as: "90 percent of the game of baseball is half mental" and "the future ain't what is used to be."

Today, the future of healthcare just "ain't what is used to be." The development of our healthcare system began in 1901 with the election of President Theodore Roosevelt. He supported universal health insurance because he believed that "no country could be strong whose people were sick and poor."[1] The efforts to initiate healthcare coverage, however, took place outside of government. In 1906, the American Association for Labor Legislation (AALL) led the campaign for health insurance.

Today, escalating healthcare costs has become the catalyst for significant changes in the delivery and payment of healthcare services. The Affordable Care Act (ACA), signed into law by President Obama on March 23, 2010, can take the lion's share of credit for changing how consumers now pay for health services. For the past ten years, healthcare costs have exceeded U.S. economic growth by an average of 2.5 percent annually. The anticipated average annual growth rate for healthcare costs is 5.7 percent per year through 2023, well above gross domestic product (GDP), average wages and productivity gains.[2] Improving economic conditions, the impact of the ACA's insurance coverage expansions and an aging population is expected to continue to drive healthcare expenditure growth.[3] Average annual growth of out-of-pocket healthcare expenditures are projected to rise to 5.5 percent by 2023 from 3.2 percent in 2013.[4]

A growing approach to mitigating the rising cost of healthcare are High Deductible Health Plans (HDHP). Insurers and employers have initiated these health plans with the goal of reducing their financial exposure. HDHP's plans shift the majority of the financial responsibility to the healthcare consumer.

Based on recent statistics listed in a McKinsey Quarterly article, "The Next Wave of Change for U.S. Healthcare Payments,"[5] there has been a ten-fold increase in HDHP plans in the past seven years to more than 11.4 million people, and they are growing. According to America's Health Insurance Plans, the growth in HDHPs is a major contributor to current expectations for growing patient payment liability from $250 billion in 2009 to $420 billion in 2015, a 68 percent increase over a five-year period.[6]

Increasing Patient Liability

The ACA, with its comprehensive health insurance reforms, has initiated a growing trend that has placed more financial accountability on the shoulders of consumers. Hospitals and health systems are embracing consumerism and are preparing for greater levels of out-of-pocket (OOP) patient liability.

Increased patient responsibility for healthcare services has providers concerned, and for good reason. Patient liability or self-pay, is now the third largest payer behind Medicare and Medicaid.[7] As a result, both patient liability and bad debt are on the rise and healthcare providers are facing unprecedented revenue and margin pressure.

Providers must adjust their financial practices to meet the demands of the growing revenue cycle trend and become more adept at collecting patient liabilities while at the same time improving patient satisfaction. The growing challenge that OOPs present for providers is just one of many priorities healthcare executives have to juggle. All stakeholders responsible for solving these challenges must learn to circumnavigate the financial realities of our new healthcare delivery system. Had Yogi Berra worked in healthcare, he might respond to the changes in the industry with another of his famous comments: "It's déjà vu all over again."

As patient accountability increases under HDHPs, patient payment liability has skyrocketed. Payment responsibility for non-insured patients is now growing at 19 percent per year.[8] And, for insured patients, McKinsey Quarterly has estimated that the rate of bad debt is increasing at well over 30 percent each year in some hospitals.[9] Consumers now pay more in healthcare costs than employers, and consumer bad debt for medical expenses was $65 billion in 2010 and rising.[10]

Regardless of whether coverage exists under a traditional or high deductible plan, consumers now shoulder a greater cost burden. Providers must now collect a high proportion of payments directly from the consumer, not the insurer. Patients are being billed for costs they normally are not expecting and often for sizable amounts.

Revenue Cycle: A Shifting Paradigm

Our healthcare compensation system has begun to reward providers for delivering more value. No longer is a provider’s compensation tied to the volume of patients it can service. This shift impacts how patient care is administered, how physicians and hospitals are paid and how healthcare companies approach the industry.

Healthcare organizations of all sizes must transform their revenue cycle strategies to become more patient friendly. The traditional focus on payers will no longer suffice as providers must address patient collections like never before.

In short, they need to find effective ways to collect more of the money owed by patients or risk their organizations good financial health.

Current revenue cycle processes are not traditionally set up to address consumer payment needs, which can have a significant effect on the patient experience and satisfaction levels. Emphasis on the patient experience touches all areas of healthcare and the revenue cycle is no exception. Patient dissatisfaction with financial processes can negatively impact satisfaction scores and bottom-line results.

Changes in the Payment Role for Providers

As the patient responsibility trend continues to grow, healthcare organizations must attempt to balance effective revenue cycle management processes with efforts to improve the patient experience. Providers must change how patient payments are collected; however, some of these changes will not be easy to implement. Highlighted below are some of the unique challenges in the payment process providers need to be preparing for:

- Many payment processes are not engineered for simple and efficient patient payments.
- The process of transacting directly with consumers presents a whole new set of challenges for providers who must now calculate patient responsibility as a first step towards rationalizing their payments systems.
- Patient responsibility is a compound of two sub-components: eligibility and estimation.

    Often, providers are calculating a propensity to pay score, whether the patient is insured or not. If an insured patient has a high deductible balance or if the patient is totally responsible for the bill, a combination of other transactions such as cost, mortgage balance inquiry and address verification can help determine a patient’s propensity to pay.

Given these insights into payment options, it will assist in determining if a patient is a candidate for a payment plan or charity care.

- Patient responsibility determination must happen after a provider ascertains their eligibility status, plus the amount the patient owes for their co-pay, deductible balance and the information on their estimated fees.
- The healthcare provider needs to provide the patient with all of this information as well as establish a payment method as soon as possible, ideally while the patient is still present.[11]

Strategies to Address Growing Patient Liabilities

There are emerging issues with collecting patient obligations that have necessitated changes in how providers accept patient payments. Healthcare payment systems are transforming the methods consumers now make their payments for the care they receive. A provider's financial strategies for collecting patient balances will begin to look more like how consumers purchase electronics or furniture at a large national chain or on-line retailer. In his article, "Four Big Patient Payment Trends Shaping Healthcare Revenue Collection," [12] Brian Watson outlined four new approaches providers can initiate to keep up with growing patient liabilities. They are:

1. **Provider-Facilitated Patient Financing**
   With the rise in patient payment liability, many patients simply lack the financial ability to pay for their out-of-pocket healthcare debt. Providers that offer patient-friendly financing options–such as structured, interest-free payment plans help consumers avoid unexpected expenses and smooth liabilities over an extended period. A medical loan often enables patients to pay an outstanding balance in small increments over time.

2. **Consumers Payments Using Multiple Channels to Pay**

Consumers increasingly are bill payment omnivores, flip-flopping between payment options based upon things like availability of funds, the size of the outstanding balance and proximity to the due date. Recent research suggests the average U.S. household [13] uses three different bill payment methods each month. And, their preferences for paying the same biller aren't always consistent on a month-to-month basis. For example, 42 percent of consumers will use a different payment channel than they did last month to pay the same bill.[14]

To meet consumer preferences about bill payment, providers must consider balancing traditional options such as mail-in remittance, payment by phone and—with developing channels like online and mobile. Offering multi-channel payment options will increase patient satisfaction and accelerate revenue collection by giving patients the ability to pay bills how they want, using a channel where they are most comfortable.

3. **Consumers Embracing Online and Mobile Payment Tools**

Given consumers' bill payment patterns, a multi-channel approach makes a lot of sense for providers. It ensures that no matter a patient's preference, they'll be able to make a payment quickly and easily. Online and mobile billing tools are better suited to today's increasingly retail oriented healthcare payment environment. Patients can pay immediately anytime and from anywhere which allows providers to collect and post payments faster, more efficiently and without manual processing errors.

4. **Rise in Guest Pay Options for Provider Websites**

Guest pay websites don't require consumers to create a username or password to access payment tools—or even log-in to the site. Patients can enter identifying account information from a statement and can make a payment in minutes.

Completing a guest payment is easy, fast and convenient. So it's not hard to see why adoption is skyrocketing. In 2014, 28 percent of consumers used a guest pay option at a biller's website, up from just seven percent in 2013.[15]

Guest pay websites are an ideal fit for patient payments. For most consumers, healthcare is a service that is consumed irregularly: patients go to see a doctor if they're unwell or for periodic checkups or test. Because encounters often fall into the bucket of sporadic billing rather than each month, like a mortgage or mobile phone bill, guest pay websites offer patients the simplicity and convenience of online payment, but without the hassles of registration or passwords.

Patient Payment and Collection Best Practices Approaches

Providers who initiate sweeping changes in their collection practices will be well-positioned to handle the growing circumstances relating to the collection of patient liabilities. As healthcare providers transition their business models towards more retail oriented operations, hospitals and physicians need to treat patients more like customers rather than consumers who historically have had limited choices about who administers their care.

The trend toward healthcare consumerism and pricing transparency is creating an environment where patient satisfaction is critically important to a provider's success. This philosophy transcends quality clinical outcomes and includes financial and business practices.

Providers who adopt a "patient advocacy" approach will have more success collecting outstanding medical bills because they can segment and focus their efforts on patients who can afford to pay. Regardless of a patient's ability to pay their bill, they should be treated in a "patient-friendly" way. This means that all financial communications need to be correct, clear, and concise.

Lyman Sornberger, formerly the Executive Director of The Cleveland Clinic and currently the Chief Executive Officer with LGS Healthcare Consulting and the Chief Strategy Officer for Capio Partners outlined 18 tactics for liability collection in his whitepaper titled *Self-pay Collections Best Practices: Guidelines for Increasing Compensated Care from Patients Who Can Pay*. They are:

1. Same-Day Scheduling: Patients desire prompt access to clinical care;
2. Online Registration: Completion of necessary administrative paperwork prior to arrival for care allows for a simple check-in process upon arrival;
3. Kiosks: For those technically savvy, a certain population desires to register using an electronic device versus human interaction;
4. Financial Counseling: Educating patients on their financial options is an optimal patient friendly process;
5. Medicaid Eligibility Screening: Assisting patients with obtaining insurance versus navigating through the red tape of medical billing;
6. Disability Support Programs: Assisting patients in navigating state and federal bureaucratic processes to obtain financial assistance;
7. Provide Consolidated Omnibus Budget Reconciliation Act (COBRA) compensation: Patients who have recently become unemployed may be eligible to receive COBRA coverage which will pay for health services;
8. Credit and Debit Card Acceptance: Accepting industry credit cards is an optimal option for patients versus a "cash-based system";
9. Payment Plans: Accepting regular, reasonable payments on a standard frequency is known to be more patient friendly;

10. Charity: Providing community benefit based on federal poverty guidelines for those that cannot afford to pay is a best practice;
11. E-statements: Patients often prefer an electronic version of their financial billing statement versus a paper statement;
12. Computer-Assisted Coding: Using technology to code industry procedures and diagnoses reduces cost and aids in accurate and timely patient billing process;
13. Coding Documentation Improvement Program: Enhancing clinical documentation through technology and better communication improves the accuracy of data on a patient's medical record and ultimately improves their clinical pathway;
14. Denial Management: Providers who manage rejected insurance internally instead of collecting from the patient creates a more patient-friendly experience;
15. Online Patient Education Programs: Allowing patients' access to view provider policy and procedures, understanding billing and administrative expectations promotes a less stressful patient experience;
16. Monthly On-site Patient Advocacy Training: Creating a face-to-face interaction with the public minimizes the stress associated with receiving clinical care and subsequent billing process;
17. Collection Agency Associations: Engage third-party "state regulated" and "patient friendly" agencies to assist with collections; and
18. Debt Buyer Partnership: Finding the optimal agency to purchase uncompensated reimbursement using a strong patient advocacy process that mirrors the culture of the provider is critical.

The success of improving the collection of patient payment liabilities lies in the strategies employed by the provider. The 18 tactics outlined above can have an immediate impact on the bottom-line if they are thoughtfully and precisely implemented.

Summary

Yogi Berra would often say "If you don't know where you are going, you might wind up someplace else." Healthcare thought leaders know exactly where the industry is going. Like never before, the path to financial viability for providers now lies squarely on the shoulders of the patient.

The healthcare industry will continue to evolve, and it's more important than ever to put the needs of the patient first. As patient payment liability continues to grow through HDHPs and state and federal insurance marketplaces, providers must develop new ways to collect for services rendered. With the advent of healthcare consumerism and the growing trend towards clinical and financial transparency, patients have more control over how their care is administered and paid.

Emergent healthcare payment options help patients better manage and track the costs of their care. Similar to retail establishments, healthcare is moving towards offering new patient options and expanded payment channels that will meet consumer demands while enabling easy, fast, whenever/wherever financial transactions.

Hospitals, health systems and physicians must initiate better bill collection strategies and put into place new methods for serving patients in a friendlier manner with higher levels of patient satisfaction. Since patient liability has become such a large part of a provider's revenue stream they need to implement innovative strategies if they want to successfully compete and survive in a rapidly changing healthcare environment.

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