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Medical Revenue Management

# Five Strategies for Strategic Debt Recovery of Self-Pay Patient Accounts

*Scott Koenig, for HealthLeaders Media*, March 29, 2010

Despite the recent healthcare reform push, current industry challenges still include persistently high unemployment, increasing cost of health insurance and higher deductible plans. These trends are causing medical practices and hospitals to see more patients paying larger amounts of their medical expenses out of pocket.

Ninety-seven percent of hospitals surveyed in the Healthcare Financial Management Association (HFMA) 2009 study, "The Changing Face of Self-Payment in Hospitals," have experienced an increase in self-pay accounts receivable compared with the prior fiscal year. In nearly 33% of respondent hospitals, receivables are growing faster than patient revenue.

Implementing a strategic debt recovery process begins by analyzing the cost and return on investment (ROI) of your current payment collection system. The next step is to maximize that ROI while working to improve the way you communicate with your patients; here are five tips for doing that:

*1. Use metrics to analyze the current situation*. CFOs typically have a myriad of metrics available at their fingertips that accurately describe the health of their revenue cycle. However, it is not as common to have information available that quantifies their success in efficiently liquidating patient-liability balances.

One such valuable metric is the cost to collect. CFOs may have cost to collect data for their entire business office operation; however they may lack the ability to analyze their collection operations specifically for the self-pay financial class, including balance after insurance. As a result, many providers are either:

- Spending too much on inefficient internal operations for the results they are reaping, or
- Spending too little and leaving money on the table that eventually becomes bad debt.

Using cost to collect data along with recovery metrics and comparing them across different financial classes can be instrumental in making informed decisions on whether to bolster internal processes or outsource in certain areas, or both.

*2. Select the right processes that work for your situation.* Too often, providers select collection methods and processes based upon market trends versus what works best for them. The truth is no two providers are alike. Two separate hospitals, for example, may look alike from the outside but may have different patient demographics; staff competencies, account dispositions and information system capabilities that all affect what collection processes will work best for their institution.

Managers may change current processes or implement new ones with the assumption that what's working for others will work for them. Examples include splitting business between outsourcing vendors, pre-collect letter series, day-one early-out processes, and creating an internal collection department.

However, what works best is what makes the most sense based upon your own metrics and capabilities. Making assumptions, dictating what your staff and vendors will do and then living with the results rarely works. Instead, compiling the data that tells your story and then sharing that data with competent vendors will often produce processes and results that will be the most beneficial for your organization, and will also foster long-term profitable relationships.

*3. Condition patients to pay at the time of service.* According to the American Medical Association, providers have as many as nine opportunities to educate patients about their financial policies and patient responsibilities. These patient education points are opportunities to condition patients to expect to take care of their out-of-pocket expenses at the time of service rather than to be billed for those responsibilities later.

The healthcare industry has been conditioning patients to expect to be billed for those expenses for a very long time. However, now is the time to reverse this situation and take steps to recondition patients' thinking. Most of these education opportunities involve adding simple written communication at normal points of contact that a patient may encounter during their experience with the provider. It may be accurately said that "signs don't collect," but they do condition.

Here are nine opportunities to educate your patient about their financial responsibility:

1. Appointment Scheduling
2. Provider Web Site
3. Welcome Letter
4. Insurance Verification
5. Appointment Reminder
6. Patient Check-In
7. Patient Check-Out
8. Claim Processing/Patient Invoice
9. Appeal Letter

At each point in the process, the payment policy, payment method options, and outstanding balances should be clearly stated to the patient.

*4. Train point of service (POS) staff to request payment and communicate effectively with patients.* The collection of small balance co-pays at the time of service has enormous potential to increase cash flow, cut cost to collect and reduce bad debt. Once these small balances go unpaid at the POS, they become very challenging to collect at later stages of the revenue cycle.

The cost of resources required to contact patients and motivate them to pay on a small balance can often exceed the amount to be collected. These costs are compounded as the accounts age and they require even more resources. To put this issue into perspective, the potential impact of collecting just fifty $20 co-pays a day would yield an increase in cash flow of $365,000 a year, plus a substantial decrease in statement generation costs and potential bad debt.

Few people are comfortable requesting payment from patients. Many untrained representatives often resort to passive inquiries like "Would you like to pay your balance today?" enabling the patient to answer "No," or provide an excuse. Ideally, the better approach would involve the representative stating the balance and then saying, "For your convenience we offer [list your payment options]. How would you like to take care of this today?" This is a very simple example of how modifying everyday communication can make a difference.

*5. Understand the weaknesses of your business office operations.* One key to keeping your cost to collect in line with recovery results lies in understanding the capabilities of your business office and augmenting those capabilities where needed.

Areas that may need additional attention include: statement generation processes, payment plan monitoring, charity care qualification, incoming customer service and outgoing patient follow-up. Even with the latest advances in information system software, many systems lack efficient features required for effective follow-up on patient liability balances.

The antidote for curtailing bad debt and uncompensated care is a streamlined payment recovery process from self-pay patients. Financial leaders should strive to design an effective and efficient process that utilizes metrics, better patient awareness of POS payment and employee POS collections training and understanding the limitations of your business office.

http://www.healthleadersmedia.com/page-1/FIN-248700/Five-Strategies-for-Strategic-Debt-Recovery-of-SelfPay-Patient-Accounts

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