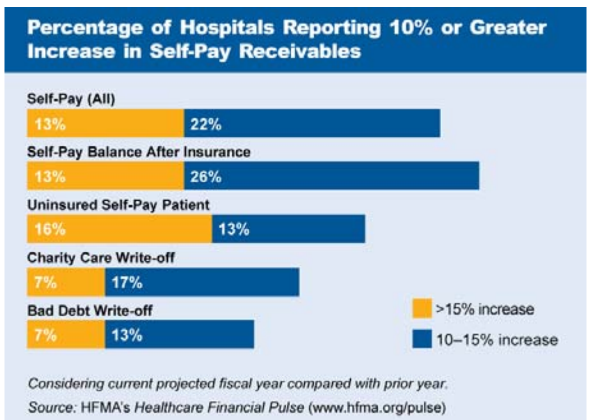
Prescription for Turning Self-Pay Accounts into Revenue

As a result of persistently high unemployment and increasing costs of health insurance, medical practices and hospitals are seeing an increasing number of patients paying for large amounts of their medical expenses out of their own pockets. According to the Health care Financial Management Association (HFMA) 2009 study, "The Changing Face of Self-Payment in Hospitals," 97% of hospitals surveyed experienced an increase in self-pay accounts receivable compared with the prior fiscal year. At almost one-third of respondent hospitals, receivables are growing faster than patient revenue.

Decreasing Revenue

Seven out of 10 hospitals have experienced a dramatic decline in overall financial health, according to the American Hospital Association's Rapid Response Survey published in November 2009. Providers continue to struggle with cost-effective answers to collecting those balances.



Collecting payments from patients can be an expensive and unprofitable experience for medical providers for four key reasons:

- CFOs are not equipped with the metrics to analyze the situation effectively.
- "Industry accepted methods" are used globally instead of implementing what works for each particular organization.
- Staff are not adequately trained to collect money and are concerned with compromising patient satisfaction.
- Business office resources are inadequate for dealing with self-pay accounts.

Hospitals and group practices need to focus on creating a streamlined process for recovering payments from self-pay patients. Not doing so could affect providers' bottom lines by creating more bad debt.

Using Metrics in Devising Solutions

Implementing a strategic debt recovery process begins with analyzing the cost and return on investment (ROI) of your current payment collection system. The next step is to maximize that ROI while improving the way your staff communicates with your patients.

CFOs have a myriad of metrics available to describe the health of their revenue cycle. However, it is not as common to have information available that quantifies their success in liquidating patient-liability balances only. One valuable metric is the cost to collect. CFOs may have cost to collect data for their entire operation, but lack the ability to analyze their collection operations specifically for the self-pay financial class, including balance after insurance. As a result, many providers either are spending too much on inefficient internal operations for the results they are reaping, or are 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.

Abandon the Cookie-Cutter Approach

Too often, providers select collection methods and processes based on market trends instead of what works best for them. No two providers are alike. Two similar hospitals may have different patient demographics, staff competencies, account dispositions, and information system capabilities that affect what collection processes will work best for each institution.

Managers may change current processes or implement new ones with the assumption that what's working for others will work for them. However, what works best is what makes the most sense based on your practice's 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 tell your story and

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sharing those 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.

Patient Education Points

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 should be used to condition patients to think they are expected to pay their out-of-pocket expenses at the time of service rather than be billed later. Most of these education opportunities involve adding simple written communication at normal points of contact with the provider.

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

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 step, the payment policy, payment method options, and outstanding balances should be clearly stated.

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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 time of service, they become challenging to collect later. The cost of resources required to contact patients and motivate them to pay on a small balance often exceeds the amount collected. These costs are compounded as the accounts age, requiring even more resources.

Customizing Your Process

Few people are comfortable requesting payment from patients. Modifying everyday communication techniques can make a difference. Many untrained representatives often resort to passive inquiries such as, “Would you like to pay your balance today?” Inquiries like this enable the patient to simply answer “no,” or provide an excuse. A 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?”

One key to keeping your cost to collect in line with recovery results lies in understanding the capabilities of your business office and augmenting them where needed. Common 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 many of the latest information 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. It’s important to design a process that works for the specific needs of your hospital or practice. Utilizing metrics, reconditioning patients to pay at the point of service, training associates to appropriately request payment, and understanding the limitations of your business office are key elements to your financial recovery. Identifying an accounts receivable management partner could reduce the strain on your staff and time.