STOP MEASURING THE WRONG THING:
HOW LEADING HEALTH SYSTEMS IMPROVE PATIENT PAYMENTS

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Executive Summary:

When Health Plans accounted for more than 95% of net patient revenue, it made sense for Health Systems to focus on minimizing cost-to-collect. But as patient out-of-pocket expenses continue to rise, leading Health Systems will optimize for patient payments using different metrics. They will focus on improving net collections to maximize cash today while delivering a superior payment experience that increases patient satisfaction—driving additional visits and referral volume tomorrow.

A Changing Healthcare Landscape:

If the key to improving the patient responsibility portion of revenue cycle performance is minimizing cost-to-collect, then why haven’t Health Systems stopped spending money on patient collections altogether? The answer is obvious of course—because their patient payments would quickly amount to zero.

This begs the question: When it comes to improving patient payments, is cost-to-collect still the right metric for your organization?

When more than 95% of net patient revenue came from Health Plans—which are both able to pay and contractually obligated to do so—it was logical to focus on cost-to-collect.

This approach capitalized on the shared incentive of Health Systems and Health Plans to reduce overall administrative efforts to manage payments. Unfortunately, in light of growing patient out-of-pocket volumes, this payer-centric model is no longer the best fit.

For many of our clients, patient out-of-pocket has grown to 15% or more of net patient revenue. The majority of these balances exceed $1,000, testing the limits of affordability for many patients. In fact, 61% of Americans cannot afford a $1,000 unplanned bill without having to borrow money or sell off personal possessions. If your organization has become so laser focused on managing to cost that you’re not addressing payment barriers for 3 out of every 5 patients who receive a $1,000 bill, it’s time to find a better strategy.
Rather than trying to minimize cost-to-collect, a better strategy will measure net collection rate (total patient payments less cost-to-collect) and accommodate higher balances by empowering patients to pay over time.

A Better Strategy:

Patientco client data reveals that as bill balances climb above $500, patients are more likely to make a partial payment than to pay in full. Most of these patients are willing to meet their financial responsibilities but lack the means or payment options to do so. Flexible payment terms may impact your organization’s balance sheet with increased A/R Days or the need to offset financing fees, but they will also grow patient payments.

A tangible example: Offering a 24-month, zero-interest loan may cost your organization 20 cents on the dollar, but isn’t collecting 80% of the payment dollars preferable to zero or only a small partial payment?

Now, put yourself in the patient’s living room. When they open an offer that has flexible terms and lower interest than most consumer credit cards, their healthcare instantly becomes a lot more affordable. Not only that, but they also don’t have to worry about getting calls from a collection agent or taking a hit to their credit score. After a superior patient financial experience, that patient is much more likely to return for future care and to recommend your Health System to family and friends.

While net collection rate is a better success metric than cost-to-collect, it’s only part of the equation. By optimizing both net collections and patient satisfaction, your organization will not only capture more payment dollars, but also grow patient loyalty—generating more referrals and return visits in the process.

3 OUT OF 5 Americans Cannot Afford a $1,000 Unplanned Bill

Growing Balances, More Partial Payers

- Pay-in-Full
- Partial Payment

$500
The Bottom Line:

Given these insights, what should your organization do today?

1. **Measure the right thing.**
   Don’t assume that your patient payments or net collections are fixed. Instead of always reaching for the cost-reduction lever, try using net collection and patient satisfaction rates to bring more value to your organization—both today and over time.

2. **Improve patient financial access.**
   Make it easier for patients to pay you by expanding access to convenient payment methods, flexible payment options, and financing solutions tailored to their unique needs.

3. **Revisit the role of collection agencies.**
   Healthcare is the #1 source of debt-collection calls in the U.S. The true cost of a poor consumer experience is not realized today, but in the future. Organizations focused on growing patient satisfaction through the financial experience will closely examine their use of collection agencies.

   Your organization might have a cost-to-collect of $0, but that doesn’t matter if you’re not generating enough cash or creating a positive patient experience. By optimizing both net collections and patient satisfaction, your Health System can put more dollars in the bank today and fortify patient loyalty tomorrow.

**About Patientco:**
Patientco is a payment technology company founded specifically to re-think the patient payment experience in healthcare by bringing together intuitive consumer payment tools and world-class payment infrastructure backed by data-led design to create a superior billing experience and deliver more payments to Health Systems. Patientco is making healthcare better one payment at a time.

To learn more, call 1-844-422-4779 or visit Patientco.com.