WHAT YOU SHOULD KNOW ABOUT PATIENT FINANCING (BUT PROBABLY DON’T)

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Executive Summary:

It’s no secret that patient payments now account for a larger portion of health system revenue. Patient liability as a percent of Net Patient Revenue has grown to more than 15% for some. Though not exactly new news, it’s still shocking. The U.S. is clearly in the middle of an affordability crisis.

We could all opine on the who’s and why’s of the state of the healthcare industry but it wouldn’t do much good. The truth is that healthcare is more expensive today than ever before and most patients can’t afford it. In fact, 55% of Americans have received an unaffordable healthcare bill¹. This change puts health systems in a bind since many are already operating on scalpel-thin margins.

However, there is good news: Revenue cycle leaders can leverage smart technology to offer tailored financing options to the right patients, at the right time, shifting patient liability from a seemingly unmovable obstacle to an economic growth engine.

Background:

We’ve discussed in past articles the importance of getting the bill right, so let’s assume for the purposes of this article that the bill is correct. After your patients receive an intuitive, easy to understand statement or eBill they need payment options to fit their needs. If your organization is tasked with improving patient payment dollars collected, you will probably begin by looking at where those patient payment dollars reside.

Patientco data from more than 10 million unique patient billing experiences provides useful insights. Most patient bills are less than $1,000. While this accounts for approximately 80% of patients, it represents only 20% of total billed patient balances. However, balances between $1,000 and $10,000 account for roughly 50% of billed balances.

¹ https://www.theatlantic.com/business/archive/2017/06/medical-bills/530679/
More than 40% of Americans cannot afford an unplanned $400 bill without resorting to credit or family and friends.

Patient Financing Considerations:

An annual Federal Reserve survey shows that more than 40% of Americans cannot afford an unplanned $400 bill without resorting to credit or family and friends\(^2\). Knowing that a patient must be both willing AND able to pay, leading Health Systems often consider financing partners to fill the gap. This is a worthy strategy and holds the promise to increase net collections, decrease reliance on collection agencies, and improve the patient experience.

However, revenue cycle leaders too often highlight the compromises that current patient financing options require. Recourse or non-recourse? Both have their place. Non-recourse products tend to be easier to administer and reconcile, but will not accept all of your patients. Recourse products support more patients but present one-time and ongoing administrative efforts. After selecting a product, leaders then must solve for staff training and patient enrollment.

Too often, the patient enrollment process relies on staff intensive phone outreach or patient initiated follow-up after they receive a program brochure. While the financial product itself may be compelling, often with zero percent interest, successful enrollment remains dependent on the organization’s ability to engage patients, educate them, and complete enrollment forms. Any misstep along that path reduces patient enrollment and by extension, patient payments. For many Health Systems, patient financing adoption remains stubbornly low.

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The count of patients who partially pay their $1,000 - $2,000 bills frequently exceed those who pay-in-full by 50%.

A Smarter Way to Offer Financing:

Patientco data confirms there are more patients willing to pay than are able to pay. In fact, patients who partially pay bills with balances between $1,000 - $2,000 frequently exceed those who pay-in-full by 50%. Once balances exceed $2,000, partial payments dominate, often by more than 200%.

To directly address the gap between patient engagement and enrollment, and to simplify program administration for revenue cycle leaders, Patientco developed an intelligent financing platform called SmartFinance™. The technology engages patients with dynamic statements, eBills, and text messages with tailored messaging based on business rules and behavioral triggers. These dynamic communications drive patients to a radically simplified, self-service web portal where patients can review available financing options, access T&Cs, and complete online enrollment without any staff support.

With the SmartFinance™ platform, Health Systems can offer patients both recourse and non-recourse financing options from leading finance providers when it matters most - when the patient is making a payment. Of course, simplifying the process to enable patient self-service is just one component of a smarter solution.

Patientco also safely reduces administrative complexity through automated patient balance posting and reconciliation. For Health Systems electing to offer a non-recourse product, Patientco automates fee recognition as well.

PAY IN FULL

Patient Payment Types for Balances over $2000

PARTIAL PAYMENTS
The Size of the Prize:

Simply enrolling ‘partial payers’ into a financing product offers a material payment opportunity for your Health System. In addition to ‘partial payers’, some patients who would not otherwise pay will enroll when presented with an affordable payment option. If half of ‘partial payers’ and 1 out of 20 ‘non-payers’ in the $1,000 - $10,000 bill segments enroll in financing, it likely represents a 30 - 50% increase in patient payment dollars.

Improving financial access through smart financing technology is rewarding for patients as well. Healthcare becomes more affordable and the overall care experience is improved, creating valuable patient loyalty.

Given the potential to increase payments while providing a superior patient experience, leading health systems will:

1. **Offer self-service finance options.**
   Offer financial options while patients are in the process of deciding how much they can pay. Presenting tailored offers to patients while they are in the payment workflow will increase enrollment and deliver superior financial outcomes.

2. **Focus on delivering a better patient financial experience.**
   Delivering a superior billing and payment experience yields better long-term results than focusing on payment in full. The improved enrollment and increased net collections will more than offset any small reduction in patients who would have paid in full.

3. **Take a tailored approach.**
   No two patients are the same. Utilize smart technology to segment your patient population based on data and behavioral triggers to present tailored communication and payment offers to drive meaningful results.

While patient responsibility continues to grow, compounding the affordability crisis in healthcare, leading Health Systems will leverage smart technology, segmented communication, and tailored financial offers to help make healthcare more affordable. Greater financial access will become a competitive differentiator, creating loyal patients and shifting patient liability into an economic growth engine for the Health System.