

# Consumerism in Healthcare

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*Creating a Patient  
Finance Success Story*

CommerceHealthcare®  
CommerceHealthcare™

# Speaker Introduction

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# Patient Consumerism Trivia

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# Patient Consumerism Trivia

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Combined premium contributions and deductibles have grown to reach \_\_\_% of median household income?

**a** 11.5%

**c** 23.7%

**b** 30.1%

**d** 48.3%

# Patient Consumerism Trivia

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Combined premium contributions and deductibles have grown to reach \_\_\_% of median household income?

Answer:



11.5%

# Patient Consumerism Trivia

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What percentage of workers are subjected to a \$2,000 or higher deductible?

**a** 8%

**b** 14%

**c** 28%

**d** 37%

# Patient Consumerism Trivia

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What percentage of workers are subjected to a \$2,000 or higher deductible?

Answer:



28%

# Patient Consumerism Trivia

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Prior to the pandemic, what percentage of Americans were just covering basic living expenses?

**a** 3%

**b** 12%

**c** 23%

**d** 30%

# Patient Consumerism Trivia

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Prior to the pandemic, what percentage of Americans were just covering basic living expenses?

Answer:

 30%

Source: Transamerica, Retirement Security Amid COVID-19: The Outlook of Three Generations, May 2020.



# AGENDA

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- **State of Healthcare Debt**
- **Providers & Payors**
- **State of the Patient Experience**
- **Improving the Revenue Cycle**
- **Measuring Costs & Value**

# 70% Of Medical Collection Debt Will Soon Be Removed From Credit Reports: Here's What You Need To Know



*The Burden of Medical Debt in the U.S.*  
States



# Agenda

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Share of adults with medical debt, by the amount of debt they owe, 2019



Note: This analysis is limited to adults owing over \$250 in medical debt.

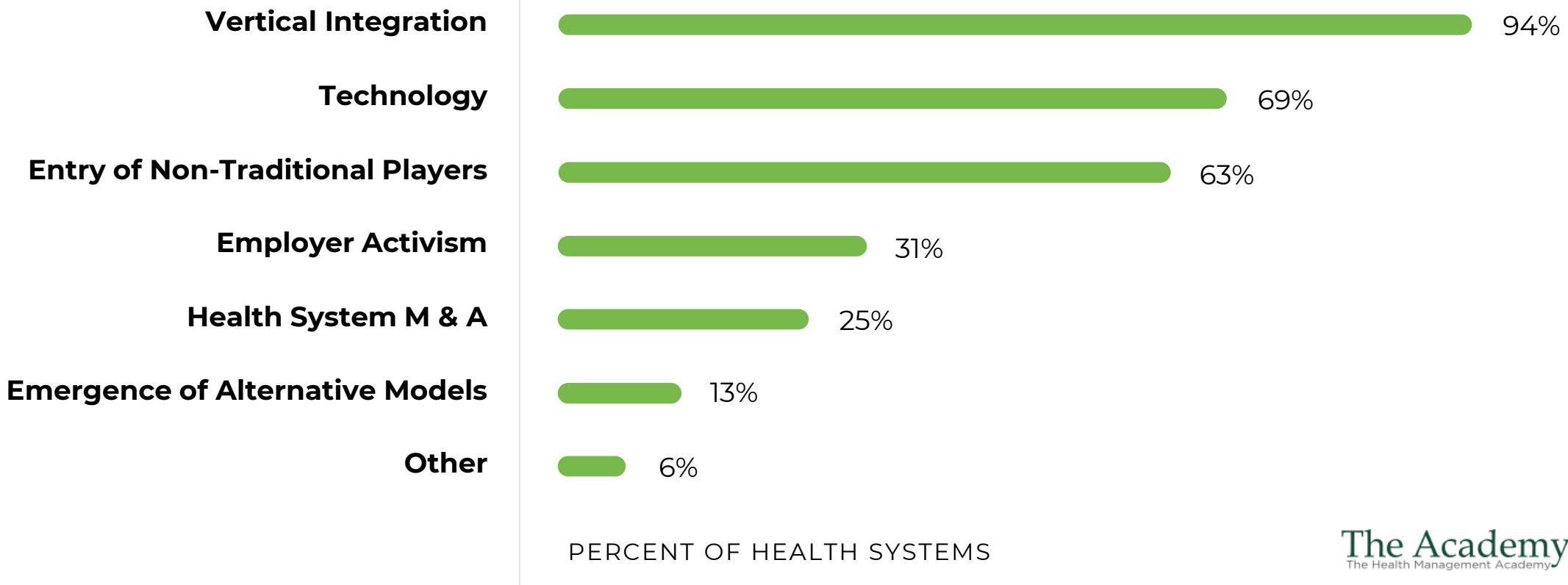
Source: [KFF Analysis of U.S. Survey and Income and Program Participation \(SIPP\) data](#) • [Get the data](#) • [PNG](#)

Peterson-KFF  
**Health System Tracker**

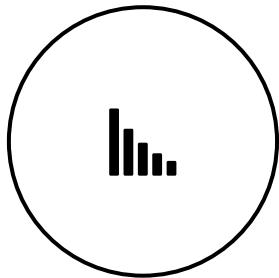
01.

# PROVIDERS

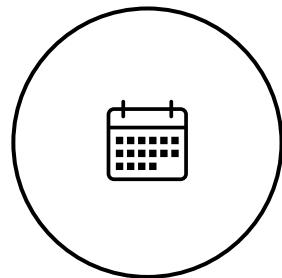
# Provider Trends



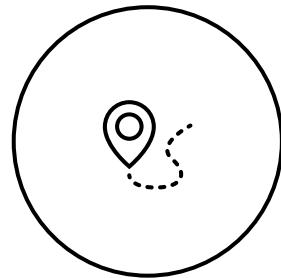
# Provider Trends



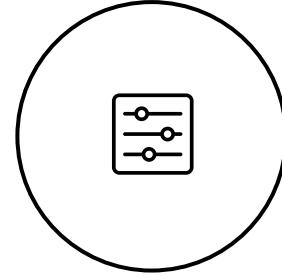
Lower Reimbursement  
Rates



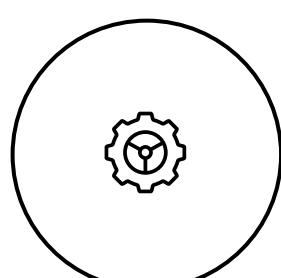
Significant Days  
in Cash Flow



Changing where and how  
services are provided



Shifting EFT  
Mandates and Fees



Changing the  
Remittance Process

# PROVIDERS: PROCESS, PRACTICE, AND PERFORMANCE

# Key Drivers & Catalysts for Change

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**WHY**



History of Failed  
Collections

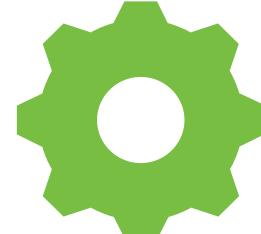


Desire to Focus  
on Patient Care

**HOW**



Consolidate Groups



Change Processes



Strengthen  
Relationships

02.

# PAYERS



# Payer Trends

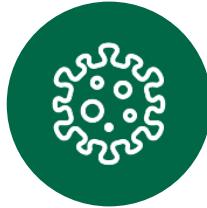
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- Ever-changing coverage and billing policies
- Narrowly designed plans or provider networks
- Shifting Risk: Emphasis on value-based contracting
- Shifting care outside the hospital setting
- Increasing Payer and Provider Partnerships

# What We Heard | Industry Trends

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COVID-19 Impact



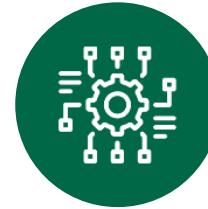
Future Planning



Finding Operational Efficiencies



New Technology



What other ongoing items  
do we need to talk about?

**PATIENTS:**

State of the Experience

# Consumerism in Healthcare

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- Immediate Access to Care
- Digital Healthcare
- Cost of Care
- Health Data Ownership
- Precision Medicine



# How much medical debt do we owe?

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**\$180,000,000,000**

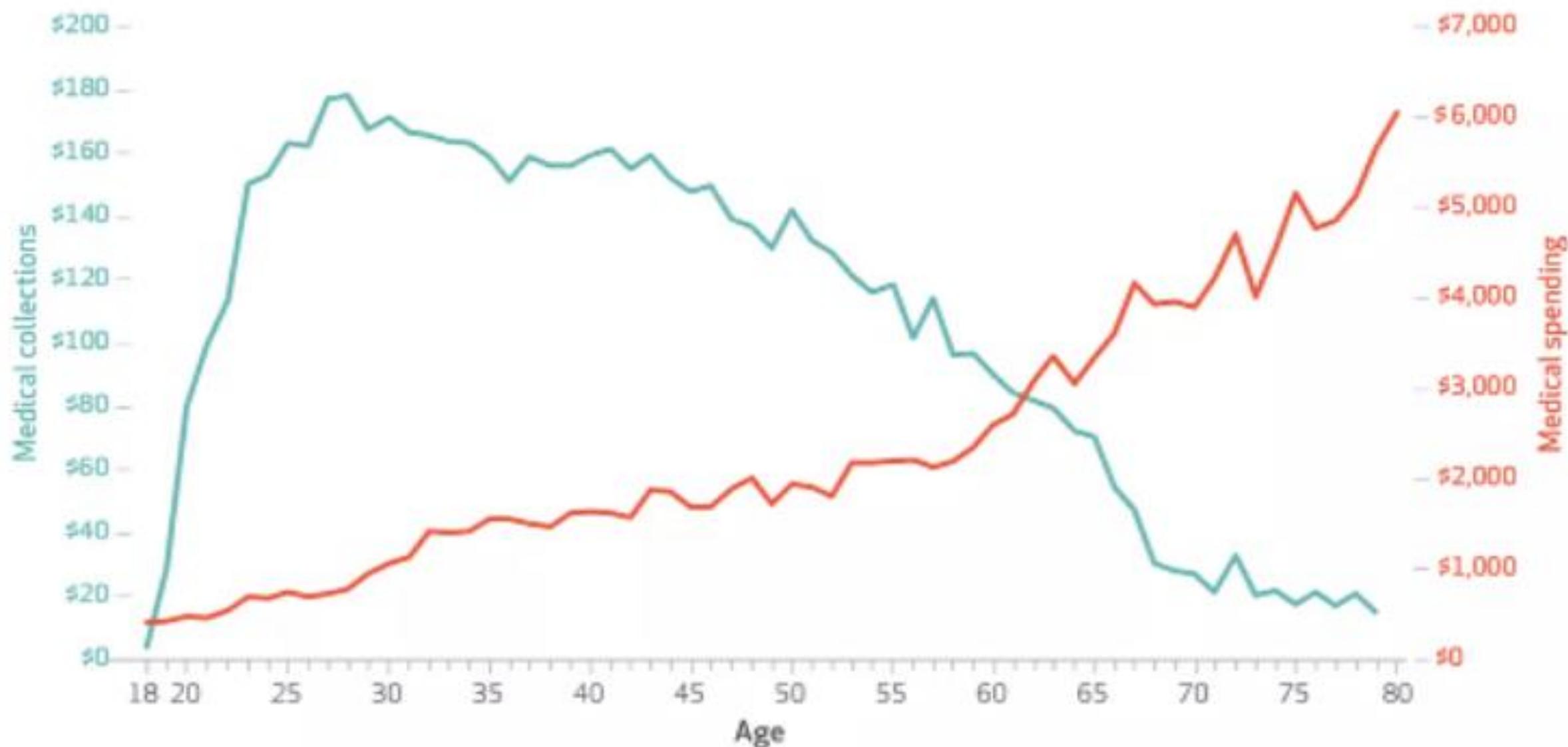
# Over Time, Family Premiums Have Risen Faster than Wages and Inflation



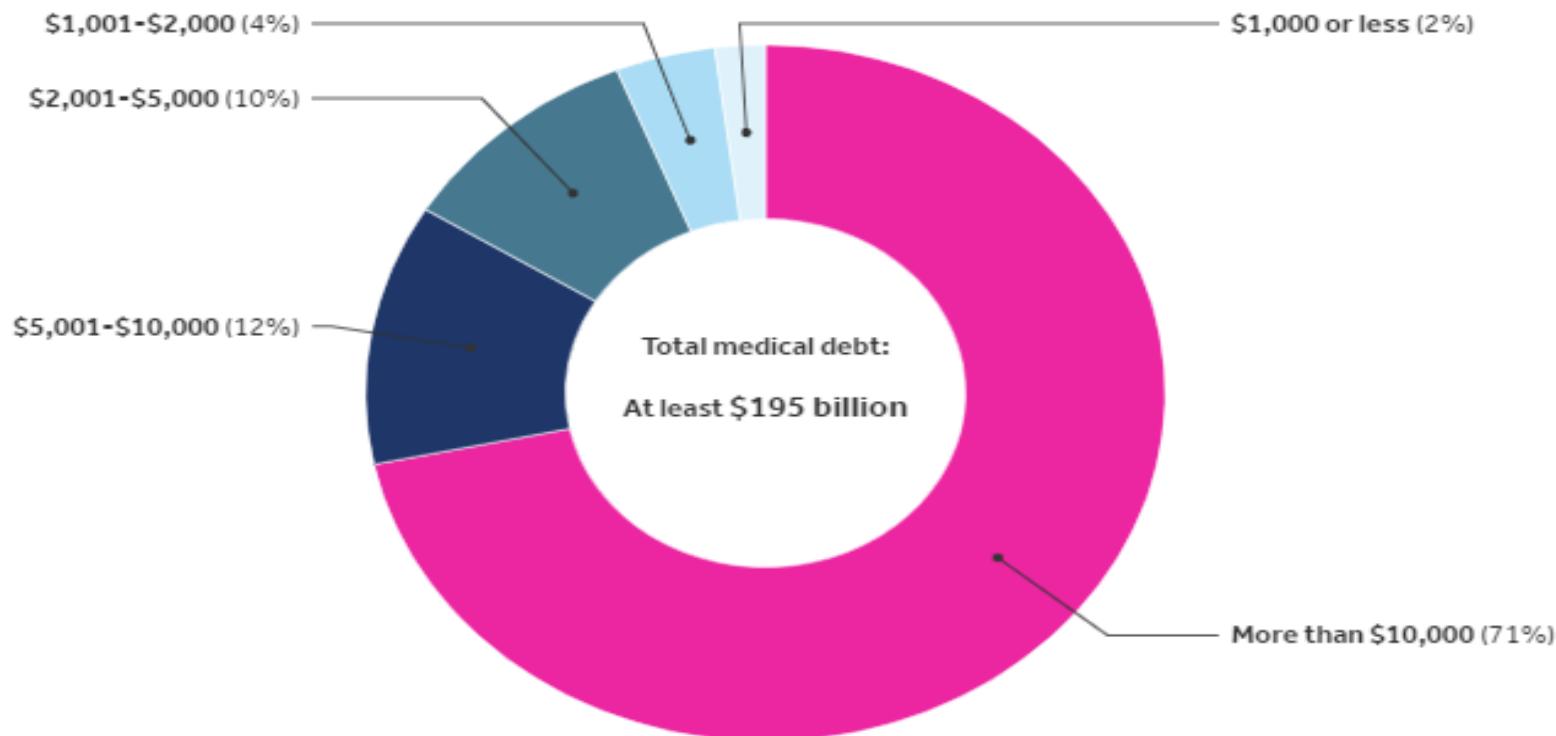
SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011-2017, Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 2011-2021; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment Statistics Survey, 2011-2021.

**KFF**

## Mean medical collections (2016) and medical spending (2011-15), by age



## Share of aggregate total medical debt in the U.S., by the amount of debt individuals owe, 2019



Note: To reduce the influence of the highest debt holders on the total, we used a conservative method to calculate medical debt for respondents with extremely high debt amounts. This approach removes the highest debt values from the calculation. We also limited the analysis to those owing over \$250 in medical debt.

Source: [KFF Analysis of Survey of Income and Program Participation](#) • [Get the data](#) • [PNG](#)

Peterson-KFF  
**Health System Tracker**

# Patients Want More Options

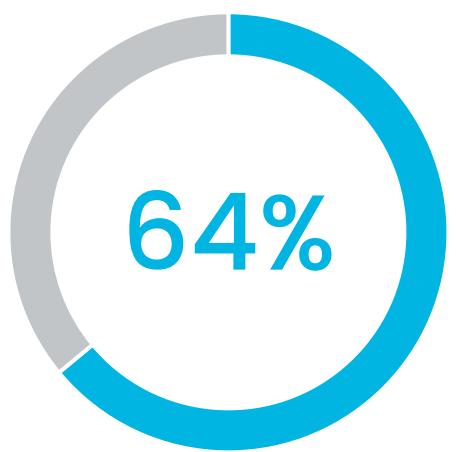
► New Best Practice: **Initiate Discounts, Payment Plans, IVR & Patient Loans at ALL Patient Touchpoints**



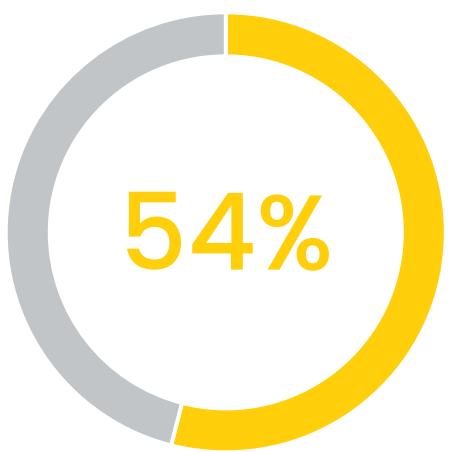
Providers see up to 90% boosts in payments when offering patients discounts at POS.



92% of patients would return to a healthcare facility that offers a loan program.



64% of patients want flexible payments.



Providers see 54% more electronic payments when patients have the option to pay by phone or text.





# Patient Healthcare Trends

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- Shift in who pays
- Price transparency and simplification of statements
- New patient payment models
- Connection between patient satisfaction and payments
- Employer defined benefit plans

# What Patients are Seeking

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Dignity



Convenience



Equal Access to Credit



Affordability

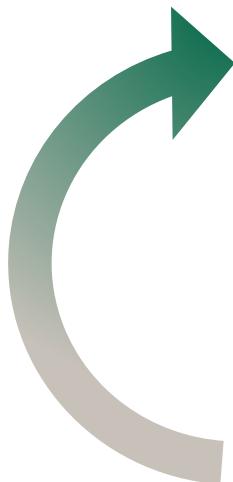
# Increasing Focus on Consumerism

- COVID-19
- Rise in patient out-of-pocket responsibility
- New patient payment models
- Price transparency and simplification of statements
- Connection between patient satisfaction and payments
- Patients requesting more options
- Staff seeking more options for patients



# Consumer's Hierarchy of Payment Priority

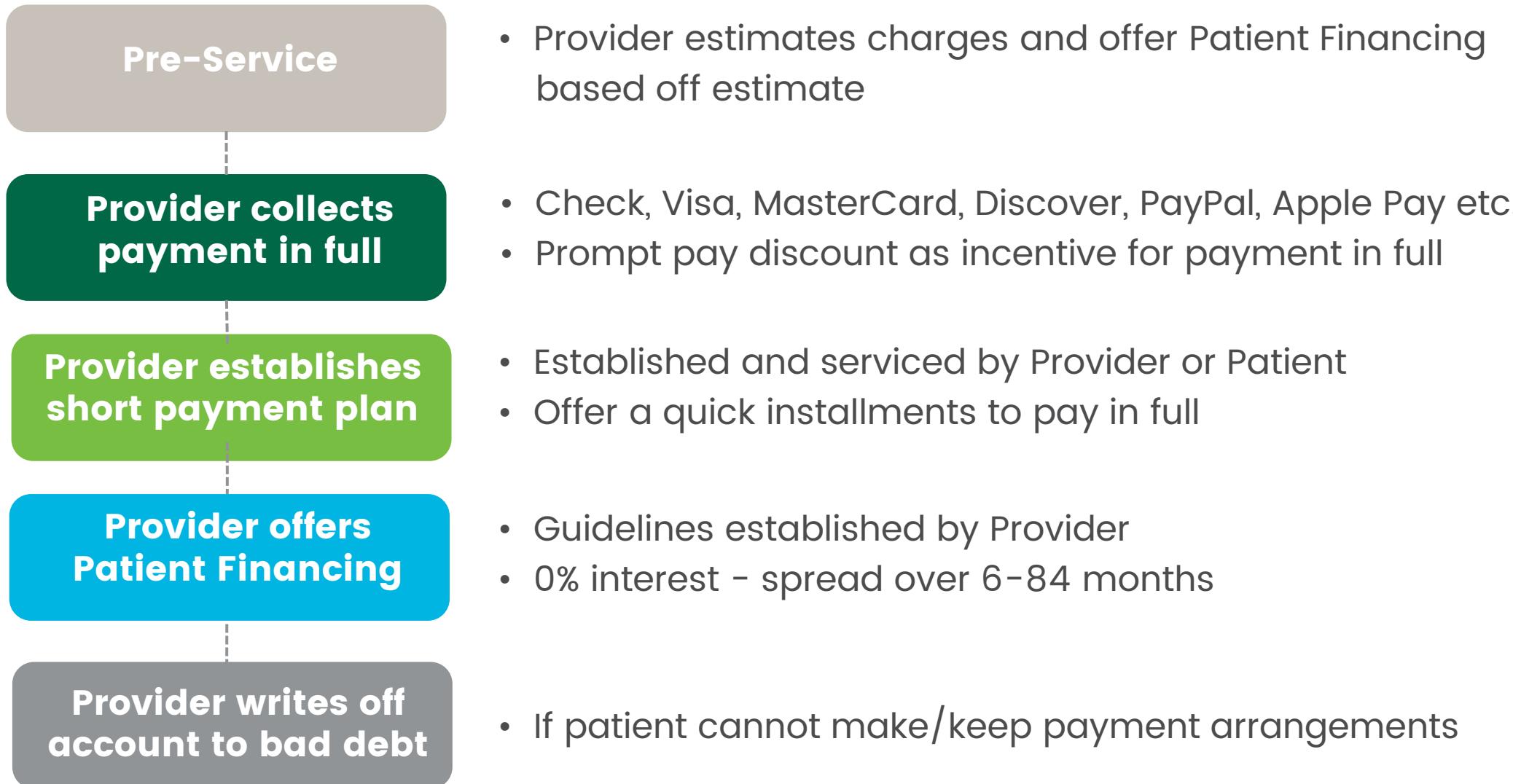
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- 1 Mortgage / Rent
- 2 Auto Loan / Lease
- 3 Utility Bills
- 4 Bank Loans**
- 5 Credit Cards
- 6 Department Store Cards
- 7 Physician Bills
- 8 Hospital Bills

# Provider collection workflow

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# What are the options?

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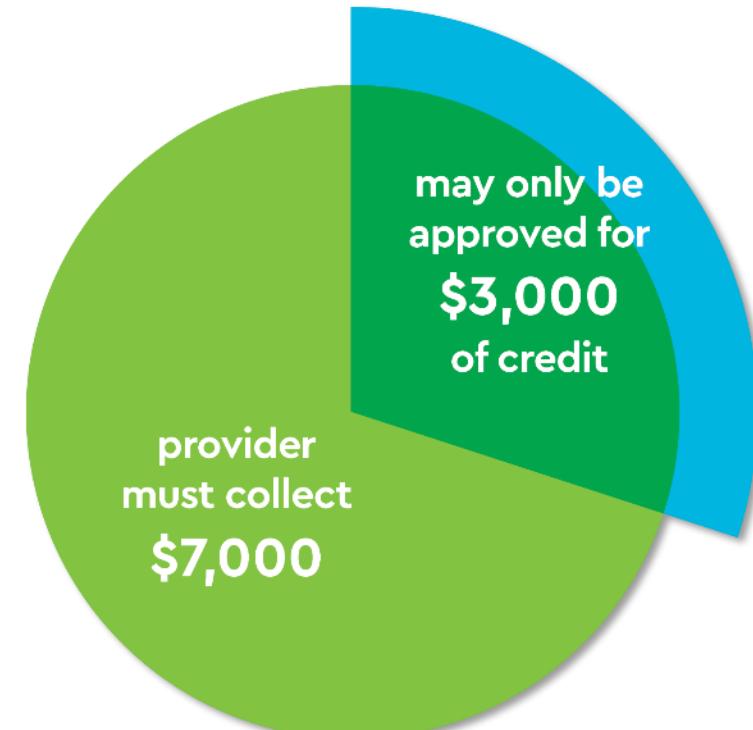
## RE COURSE FINANCING

Patient with \$10,000 bill



## NON-RE COURSE FINANCING

Patient with \$10,000 bill



# Comparing Recourse and Non-Recourse

Best Use Cases for Recourse & Non-Recourse by Procedure Category			
	NON-ELECTIVE	ELECTIVE	COSMETIC
RE COURSE			
NON- RE COURSE			

# Payment Evaluation

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- Reorganize revenue cycle and improved processes
- Analyze patient payment trends and preferences
- Identify options to solve for gaps and drive payments
- Communicate and education staff, payers, patients on options

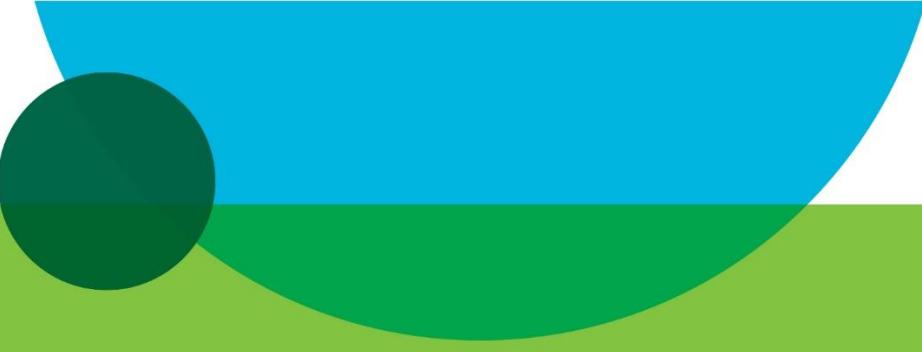


# Poll Question

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What potential challenges do you anticipate your organization could experience when implementing a new self pay program?  
(select all that apply)

- A. Time
- B. IT restrictions or resource constraints
- C. Cultural challenges in changing a workflow or process
- D. Bumpy implementation with vendor
- E. Concern over impact to patients



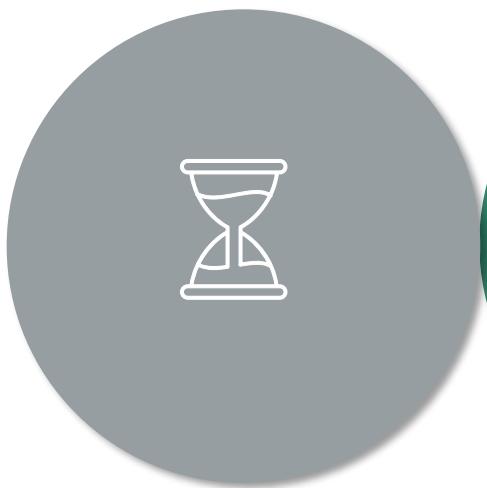
# Improved Revenue Cycle

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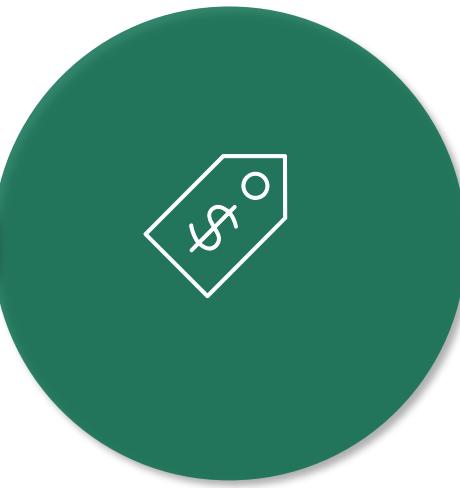
# Improve revenue cycle

## Even more commonality

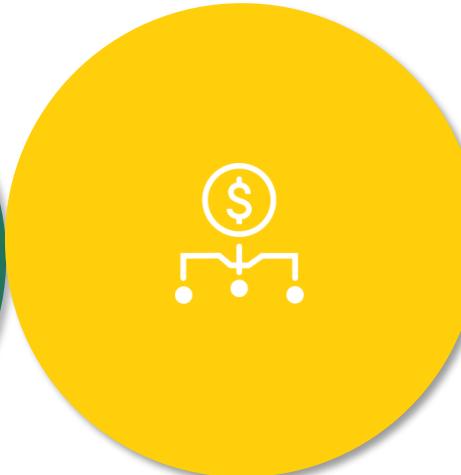
Why patient loan programs first?



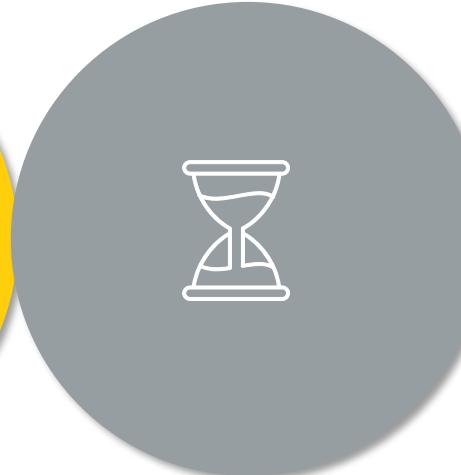
No Credit Check



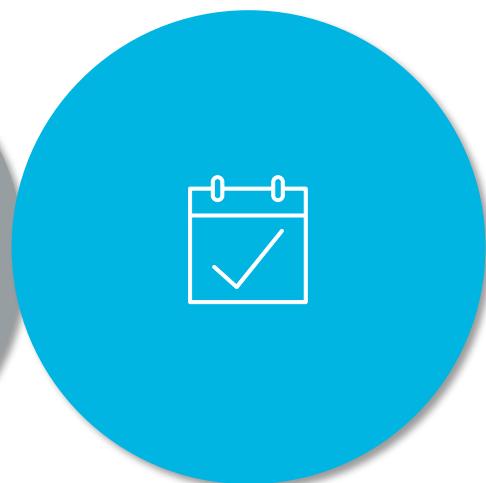
Cost transparency to patients



Payment options to patients



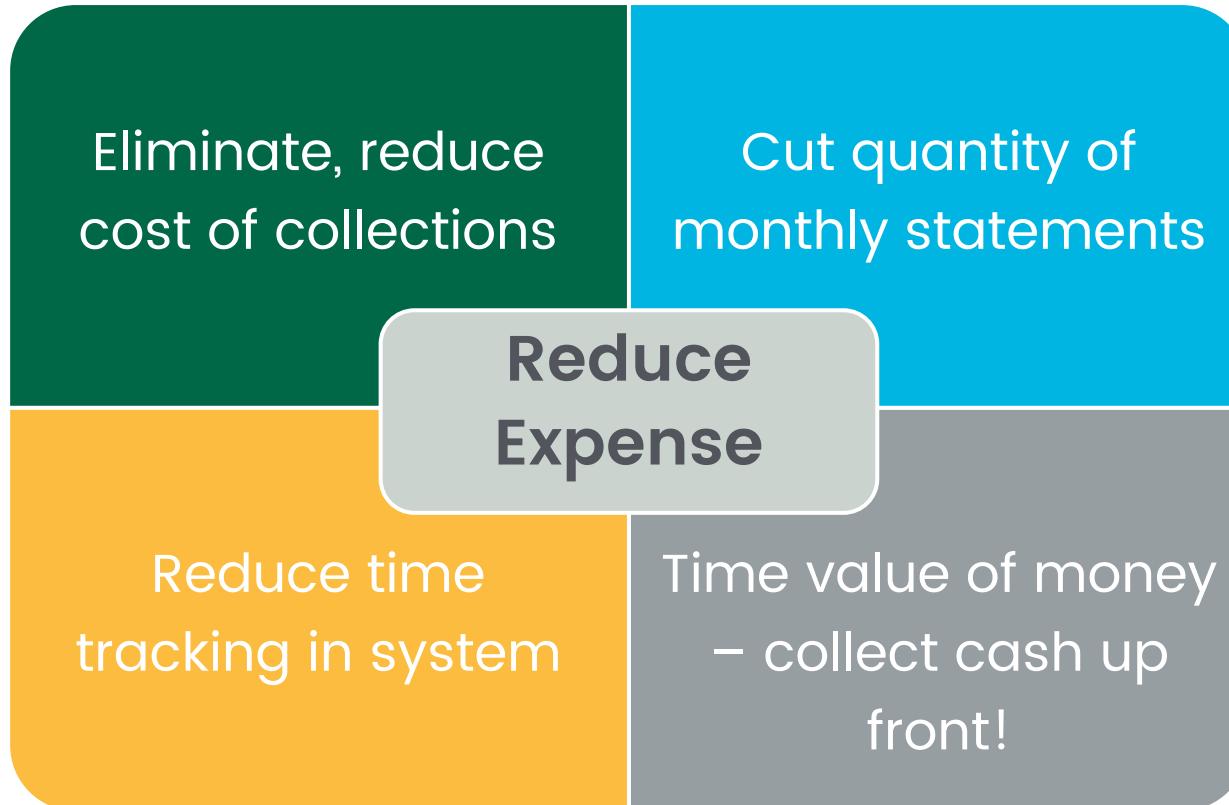
Legacy of long, interest-free plans



Shorten payment period

# Focus on maximizing staff

**Back to the mission at hand.**



## What to look for:

- ✓ Patient likelihood to pay
- ✓ Simple enrollment; no credit checks to patients
- ✓ Refunded fee if patient defaults
- ✓ Automatic 835 posting

# Let's be honest.

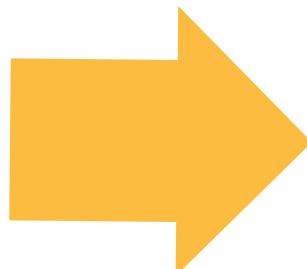
## Implementing new processes isn't easy...

It's challenging...

to get the team to buy in.



to automate enrollment

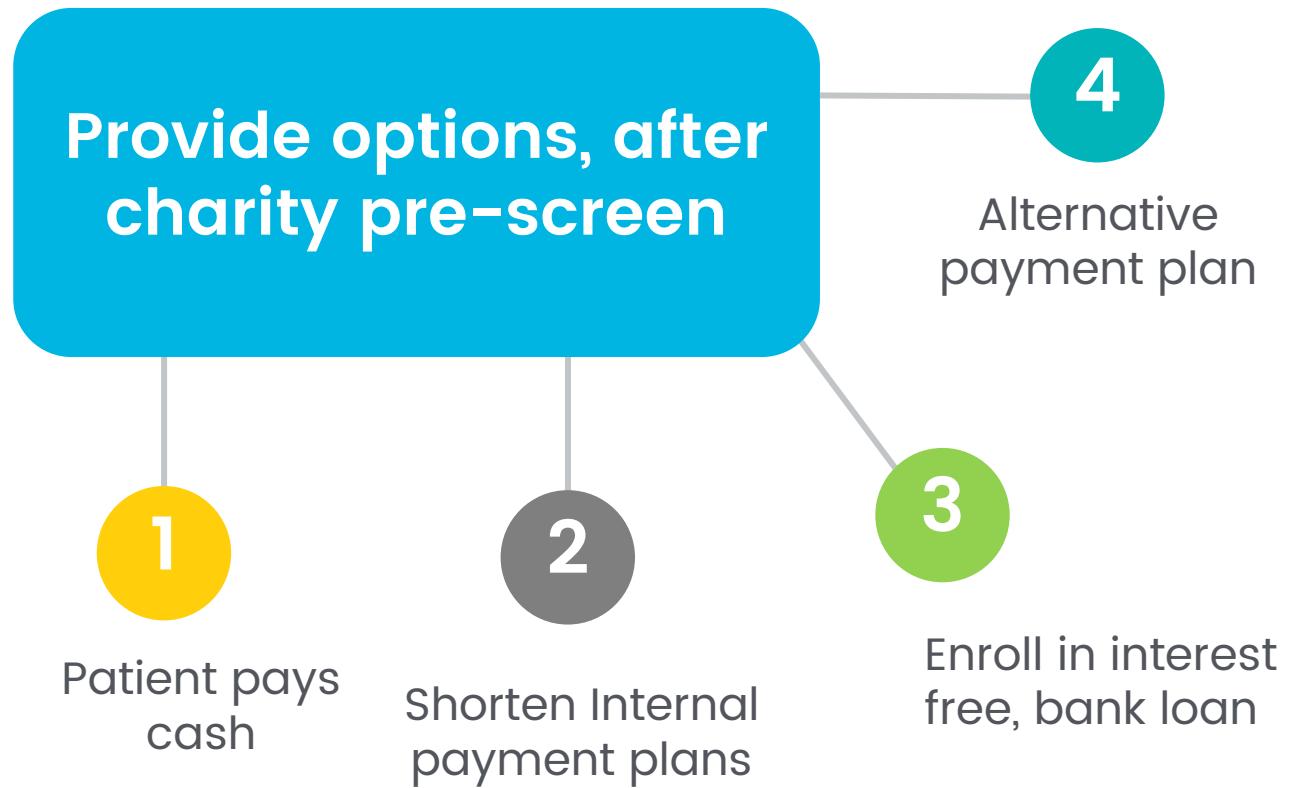


So...

**Dedicate training**

to the team on the value of payment options to patient financial experience and ease of enrollment through automation.

# Sign as many self-pay balances as possible.



## What can work:

- ✓ Giving patients the dignity of options
- ✓ Reallocate staff to implement program

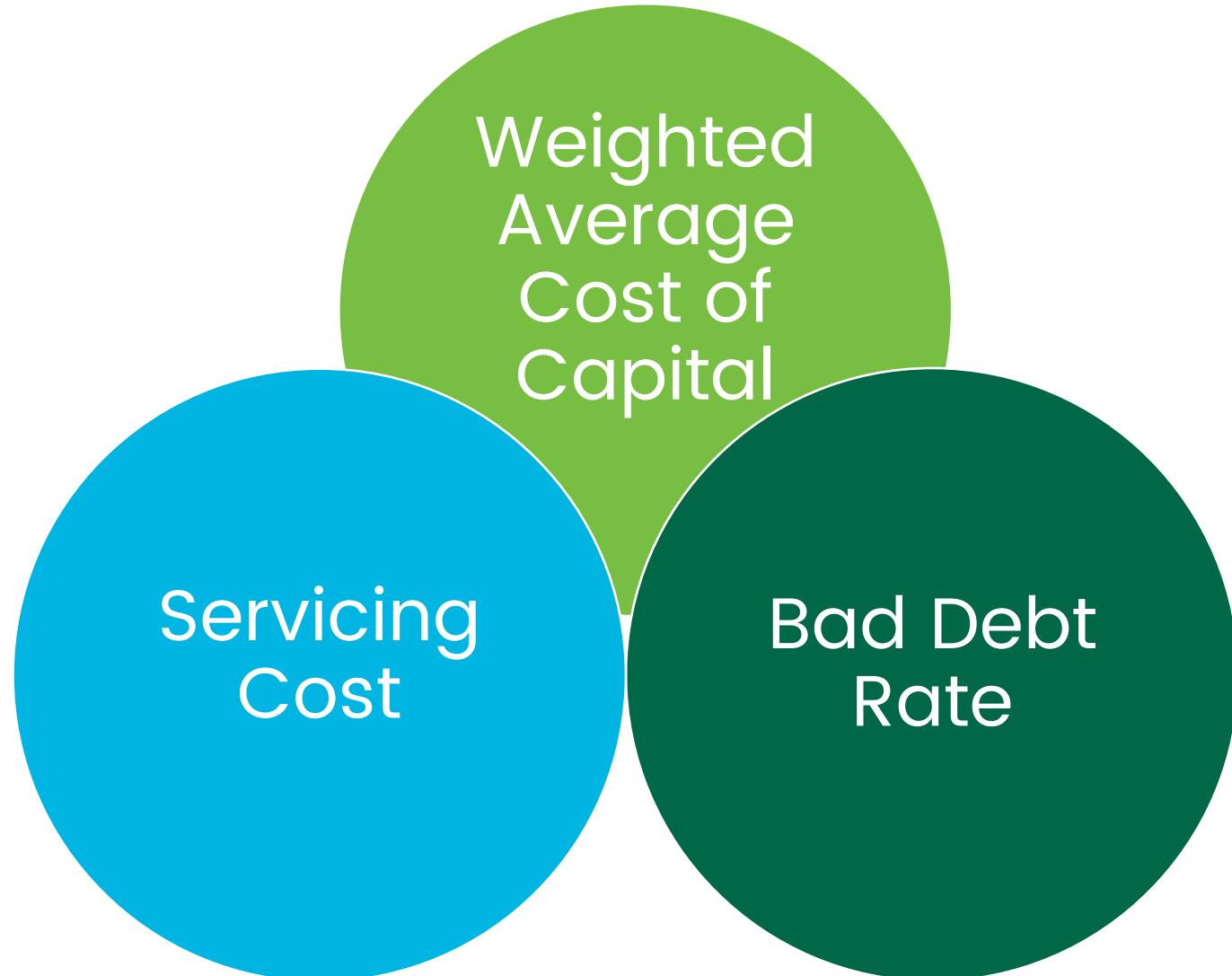


# Measuring Costs/Calculating Value

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## In-House Payment Plans: Measuring Costs/Calculating Value

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ABC Hospital - Example	
<b>Total Patient Payment Plans</b>	<b>\$1,000,000</b>
Average Patient Repayment Term (months)	36
Average Account Size	\$1,000
Monthly Servicing Costs Per Account	\$5
Monthly Collections	\$27,778
Monthly Servicing Costs	(\$5,000)
Net Monthly Collections	\$22,778
Hospital Weighted Ave. Cost of Capital	8%
Net Present Value (before bad debt)	\$726,880
Bad Debt %	20%
Bad Debt Amount	(\$200,000)
<b>Net Present Value of Internal Payment Plans</b>	<b>\$526,880</b>
<b>Imputed Cost \$</b>	<b>\$473,120</b>
<b>Imputed Cost % of Total</b>	<b>47.3%</b>

## ABC Hospital – Example

Patient Repayment Term	3-month	6-month	1-year	3-year	5-year	7-year	10-year	15-year	20-year
Total Internal Payment Plans	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Monthly Cost to Service	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000
WACC	8%	8%	8%	8%	8%	8%	8%	8%	8%
Uncollected	20%	20%	20%	20%	20%	20%	20%	20%	20%
NPV of Internal Payment Plans	\$772,011	\$747,763	\$700,503	\$526,880	\$375,382	\$243,004	\$74,738	(\$141,866)	(\$299,629)
<b>Imputed Cost \$</b>	<b>\$227,989</b>	<b>\$252,237</b>	<b>\$299,497</b>	<b>\$473,120</b>	<b>\$624,618</b>	<b>\$756,996</b>	<b>\$925,262</b>	<b>\$1,141,866</b>	<b>\$1,299,629</b>
<b>Imputed Cost % of Total</b>	<b>22.8%</b>	<b>25.2%</b>	<b>29.9%</b>	<b>47.3%</b>	<b>62.5%</b>	<b>75.7%</b>	<b>92.5%</b>	<b>114.2%</b>	<b>130%</b>

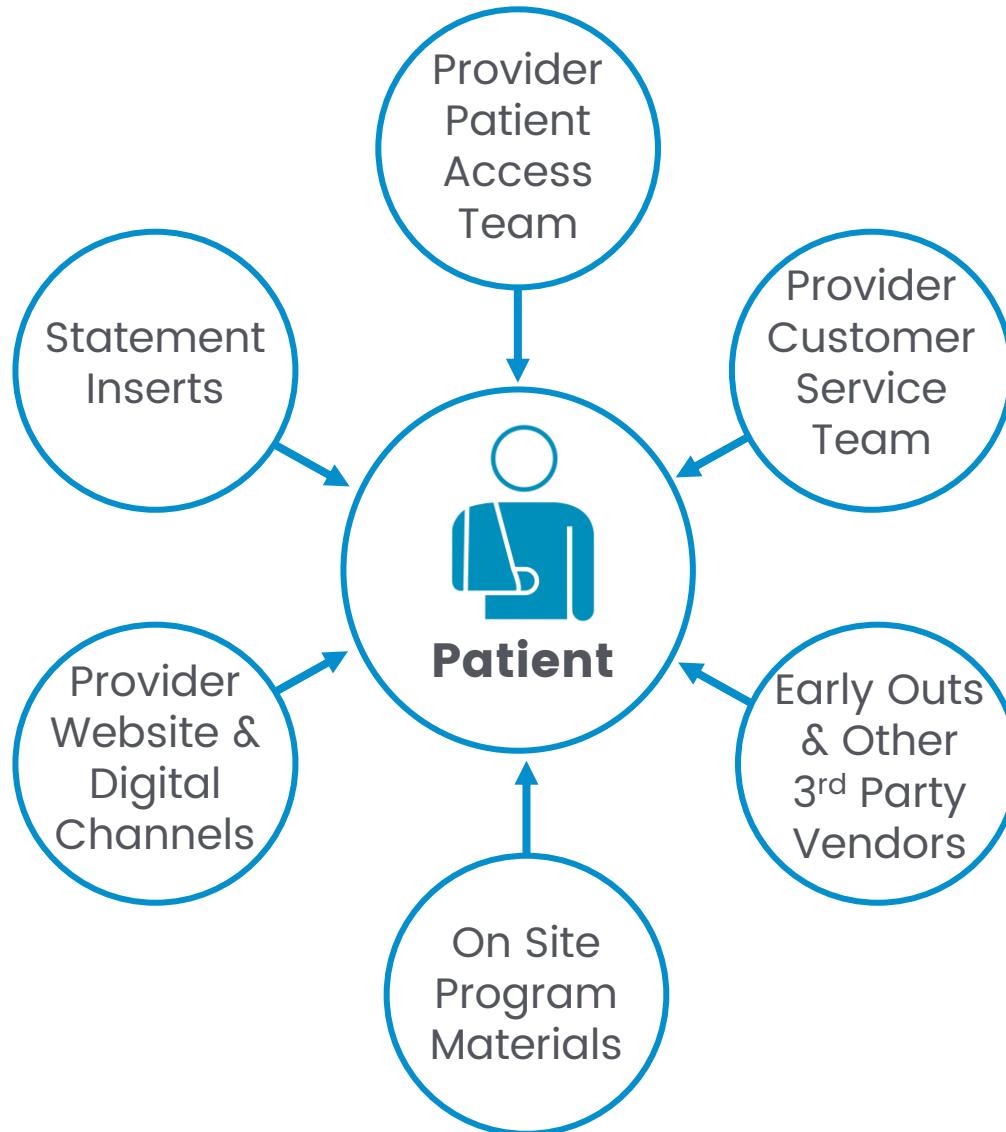
# Patient Consumerism: The Best Approach

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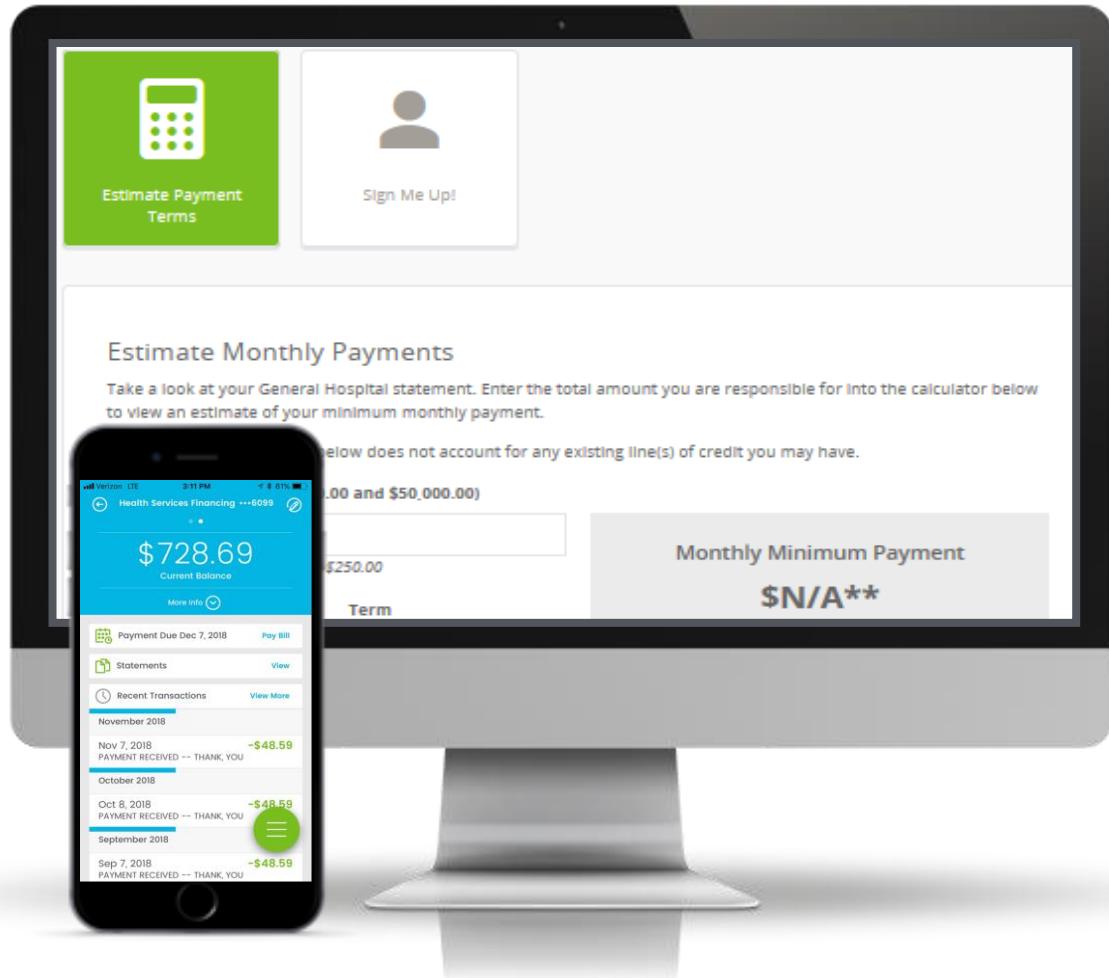
# Payment at Any Point in the Revenue Cycle

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- **Convenient**
  - ✓ Paperless Enrollment
  - ✓ No Credit Screening
- **Simple**
  - ✓ Pre-Service
  - ✓ After Adjudication
- **Adaptable**
  - ✓ Over the phone
  - ✓ In-Person
  - ✓ Self-Enrollment
  - ✓ App based enrollment

# Understand the terms



## Term Options

- Flexible & structured
- Ease for Staff
- Affordability

## Future Services

- Peace of mind for your patients
- Auto add

## Interest & No Interest

- Promotional Rates
- Community perception

## Multiple Systems

- One patient bill
- Household billing

## Three Critical Questions:

- 1) What is the true cost of time and resources to administer long term payment plans?
- 2) Are there more effective ways to optimize value and limit risk while treating patients fairly and without discrimination?
- 3) Are you losing your mission focus of patient care due to obligations of directly servicing a multi-million-dollar loan portfolio?



## Benefits of a Successful Approach:

- ✓ Grow Revenue
- ✓ Boost Patient Access to Care
- ✓ Reduce Patient Bad Debt
- ✓ Enhance Patient Financial Experience
- ✓ Maintain Control of Patient Financing
- ✓ Reduce Servicing Expenses
- ✓ Streamline Enrollment



# Q&A

# Thank you!

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