

Consumerism in Healthcare

PEER REVIEWED
by HFMA®

*Creating a Patient
Finance Success Story*

CommerceHealthcare®
CommerceHealthcare™

Speaker Introduction



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Patient Consumerism Trivia

Patient Consumerism Trivia

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

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

Answer:



11.5%

Patient Consumerism Trivia

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

a 8%

c 28%

b 14%

d 37%

Patient Consumerism Trivia

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

Answer:



28%

Patient Consumerism Trivia

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

a 3%

c 23%

b 12%

d 30%

Patient Consumerism Trivia

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

Answer:

d 30%



AGENDA



- **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.



Agenda

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



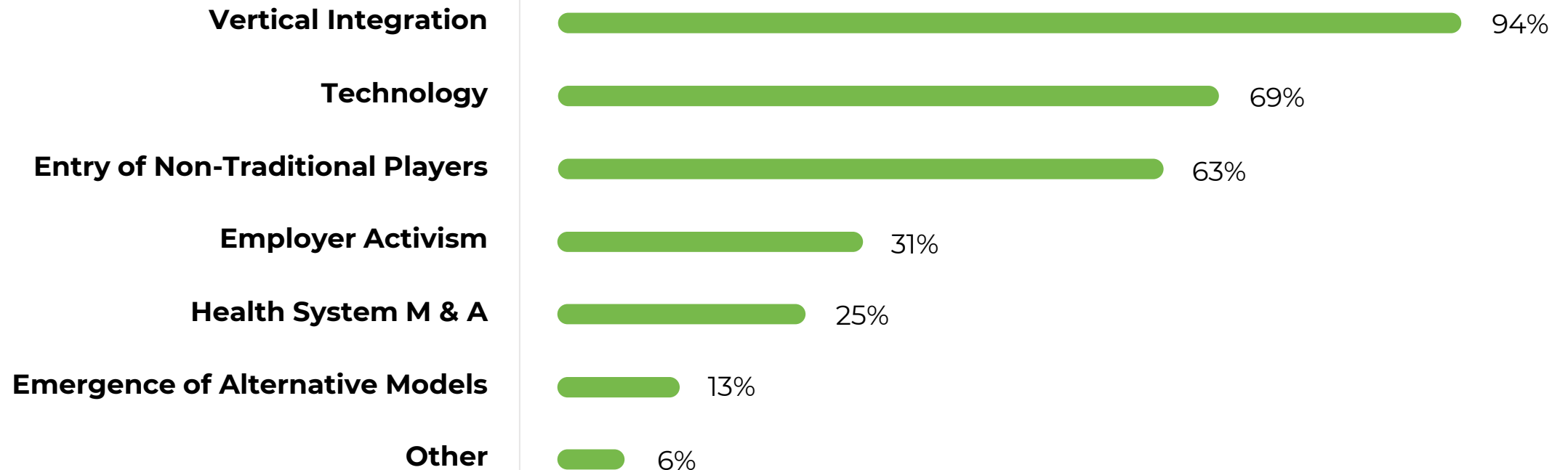
Note: This analysis is limited to adults owing over \$250 in medical debt.

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

01.

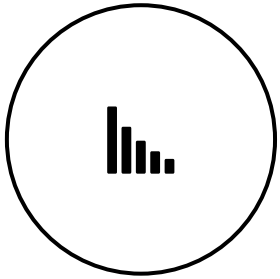
PROVIDERS

Provider Trends

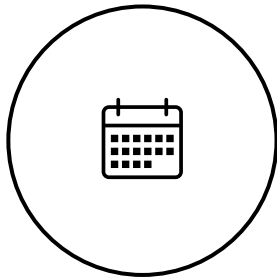


PERCENT OF HEALTH SYSTEMS

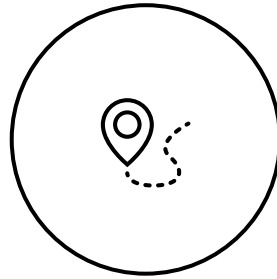
Provider Trends



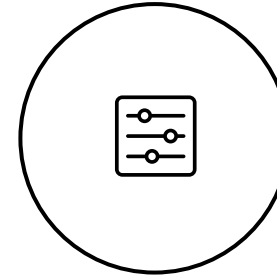
Lower Reimbursement
Rates



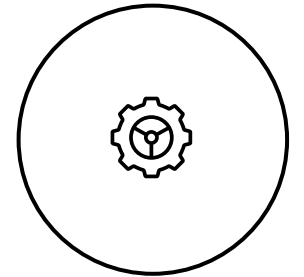
Significant Days
in Cash Flow



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

WHY



History of Failed
Collections



Desire to Focus
on Patient Care

HOW



Consolidate Groups



Change Processes



Strengthen
Relationships

02.

PAYERS



Payer Trends

- 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

COVID-19 Impact



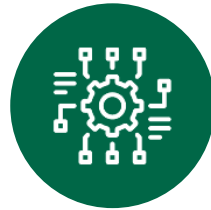
Future Planning



Finding Operational Efficiencies



New Technology



What other ongoing items
do we need to talk about?

PATIENTS:

State of the Experience

Consumerism in Healthcare

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



How much medical debt do we owe?

\$180,000,000,000

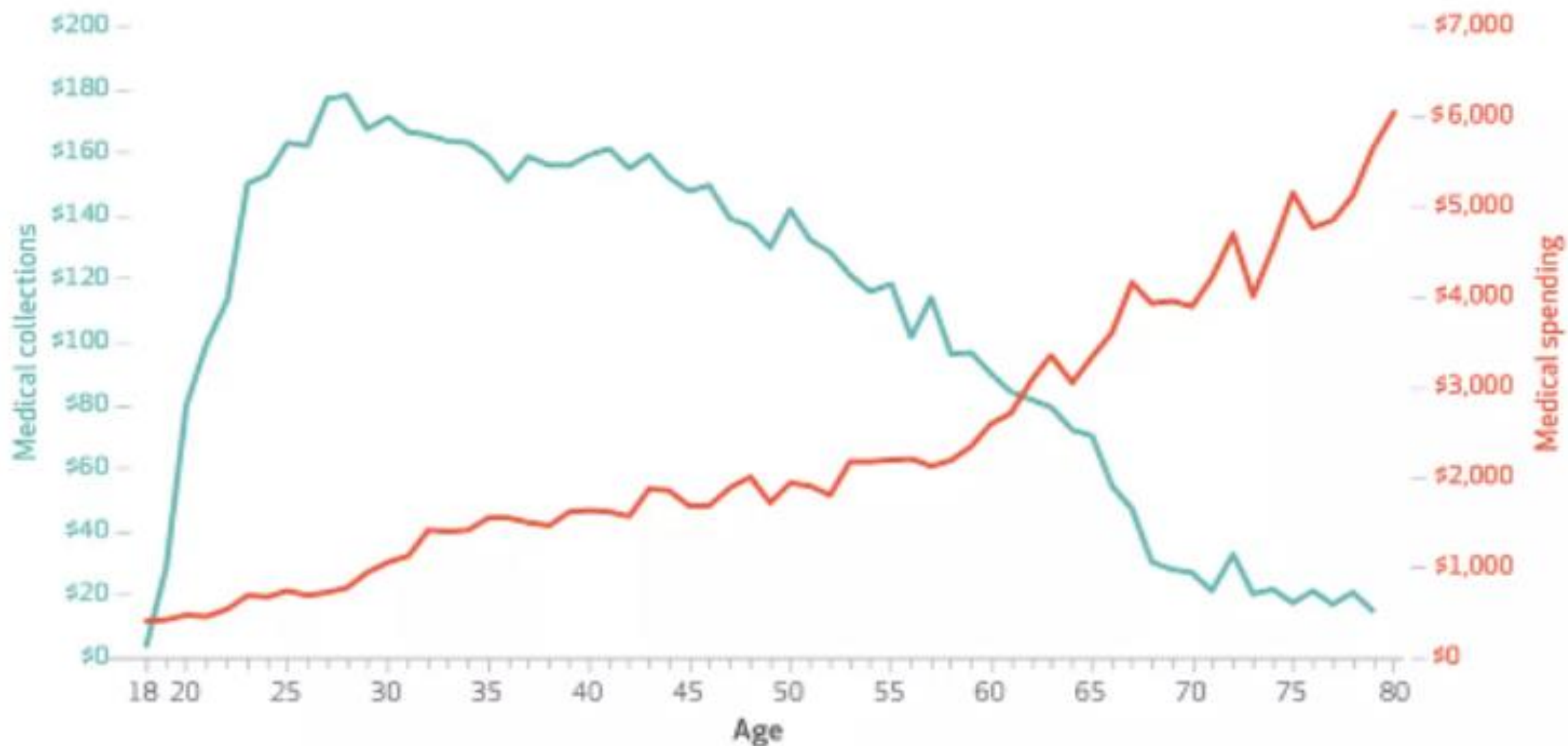
Over Time, Family Premiums Have Risen Faster than Wages and Inflation



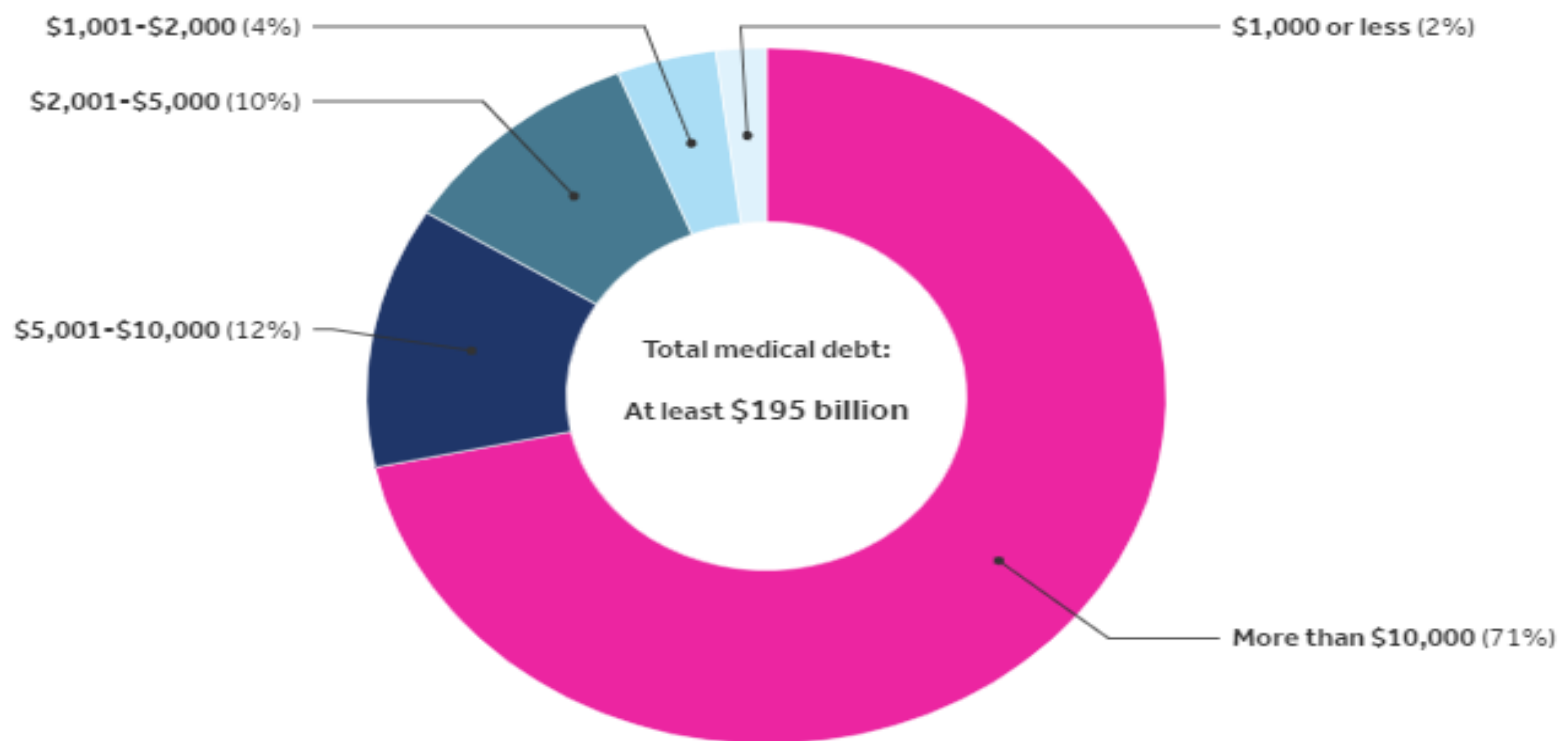
SOURCE: KFF Employer Health Benefits Survey, 2018-2021; Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011-2017; Bureau of Labor Statistics, Consumer Price Index, U.S. City Average of Annual Inflation, 2011-2021; Bureau of Labor Statistics, Seasonally Adjusted Data from the Current Employment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



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.

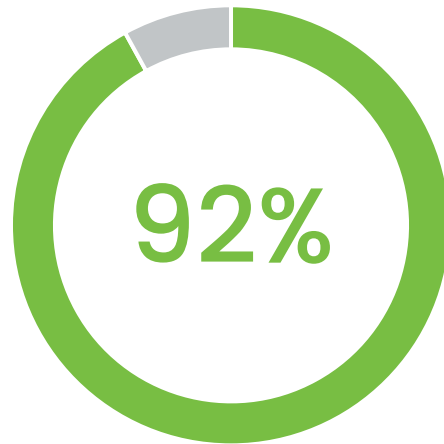
Source: [KFF Analysis of Survey of Income and Program Participation](#) • [Get the data](#) • [PNG](#)

Patients Want More Options

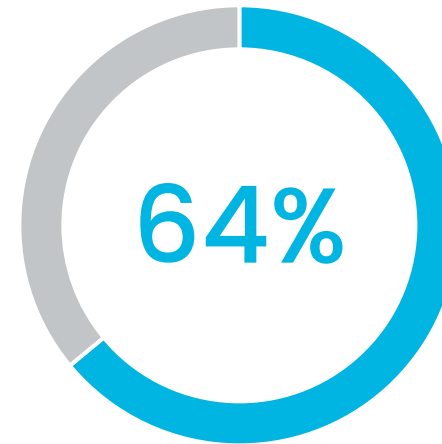
➤ New Best Practice: **Initiate Discounts, Payment Plans, IVR & Patient Loans at ALL Patient Touchpoints**



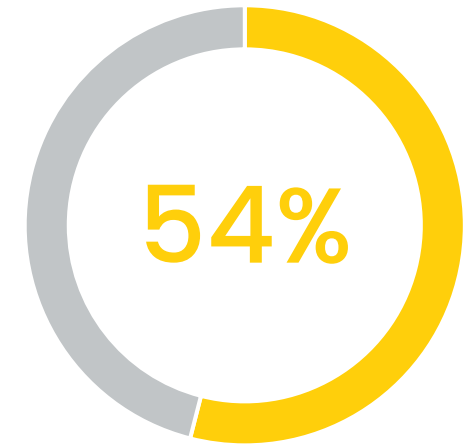
Providers see up to 90% boosts in payments when offering patients discounts at POS.



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

- 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



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

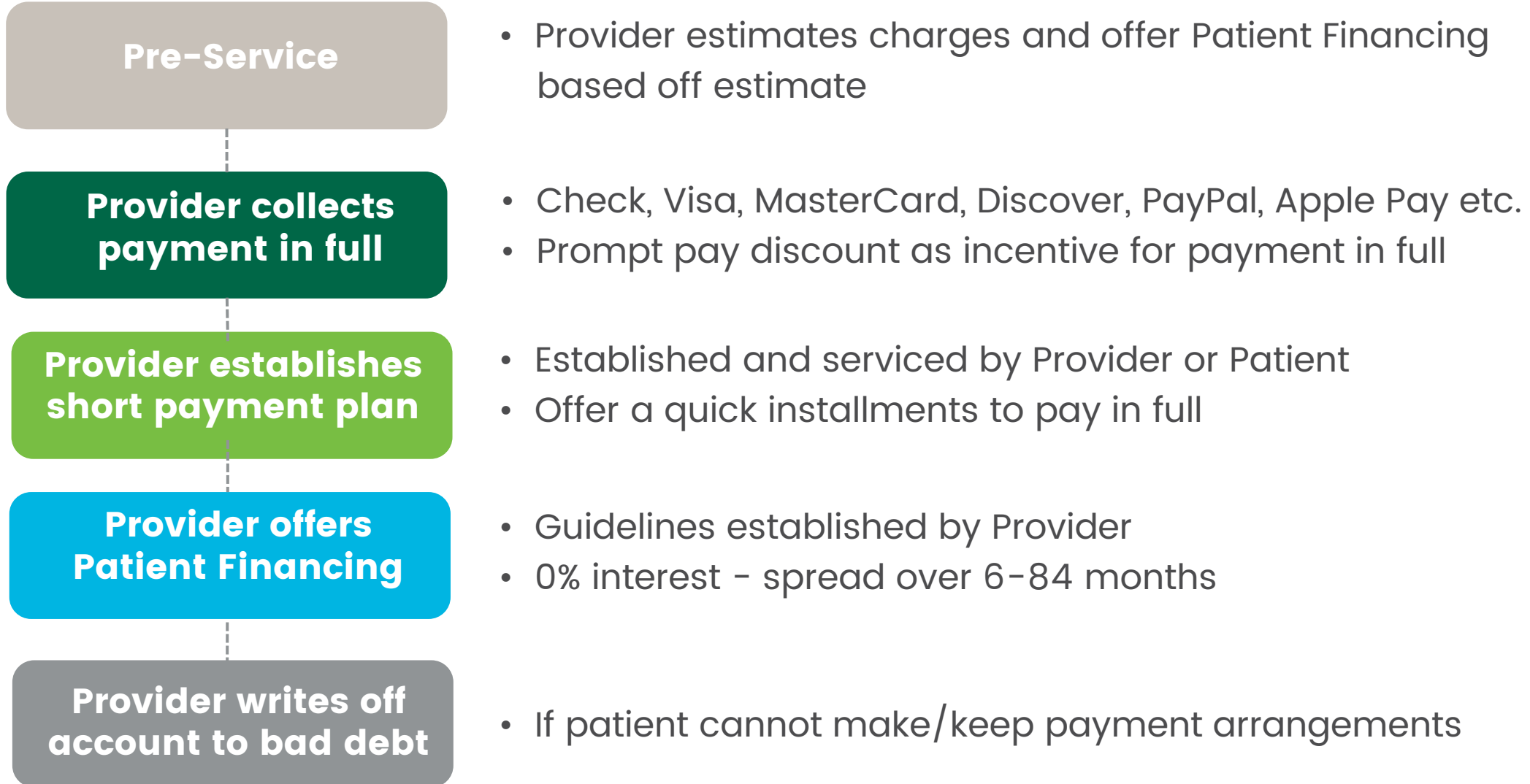


Consumer's Hierarchy of Payment Priority



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



What are the options?



RECOURSE FINANCING

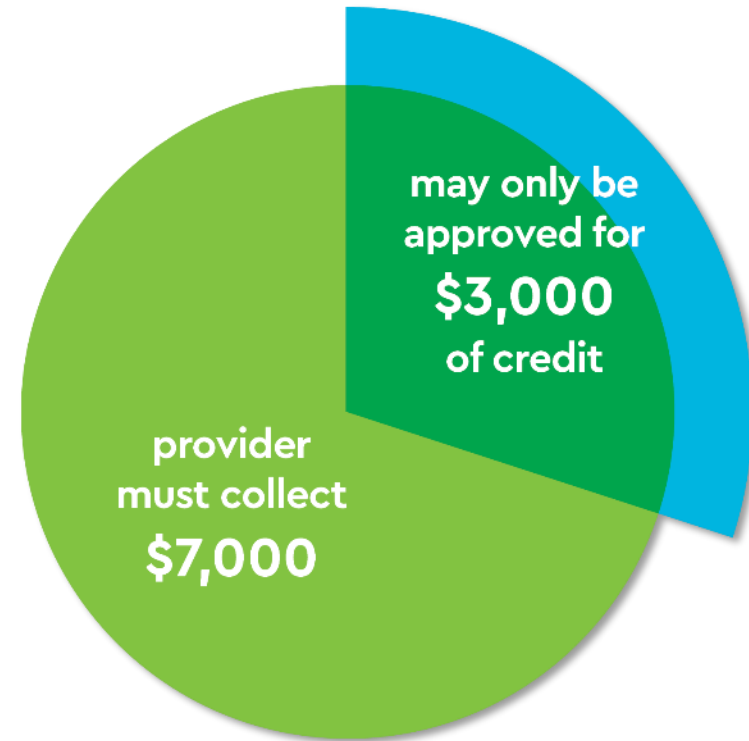
Patient with \$10,000 bill

approved for
\$10,000
of credit







NON-RECOURSE 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
RECOURSE			
NON-RECOURSE			

Payment Evaluation

- 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

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

Improve revenue cycle

Even more commonality

Why patient loan programs first?



No Credit Check



Cost
transparency to
patients



Payment
options to
patients



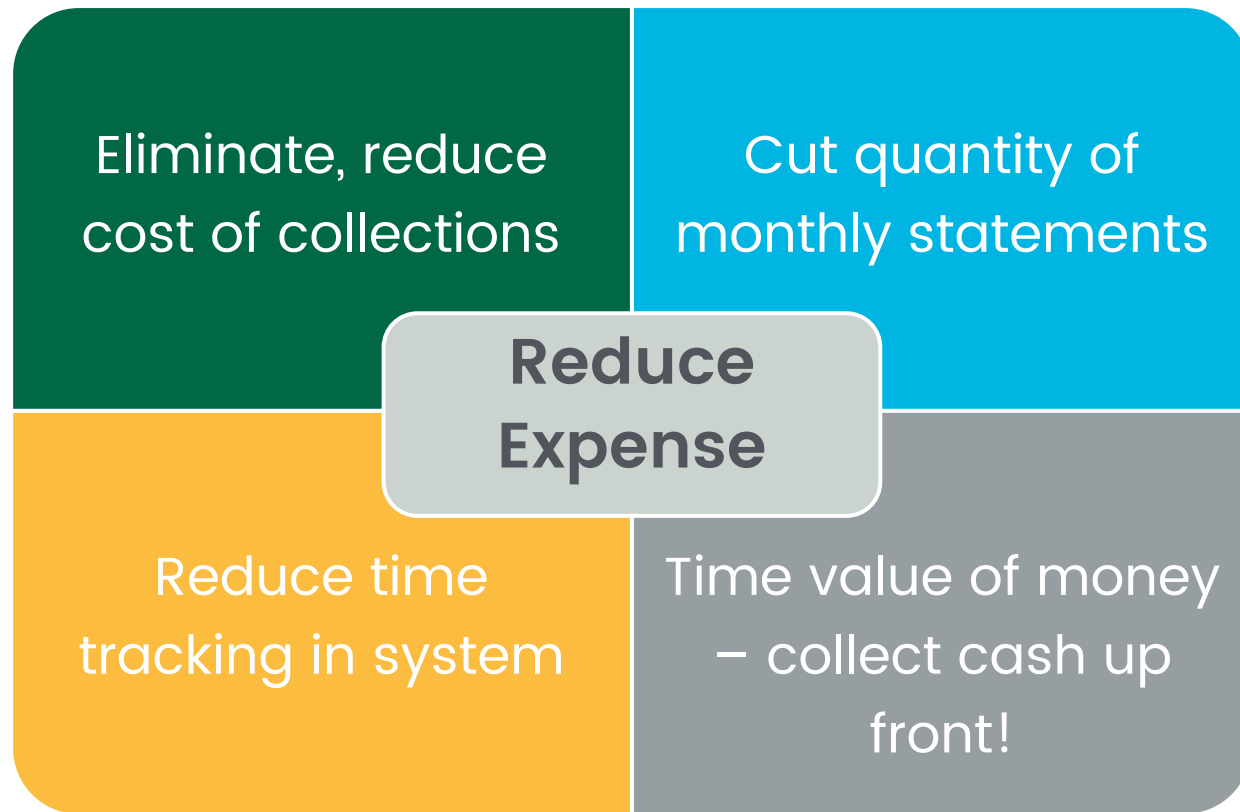
Legacy of long,
interest-free
plans



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.

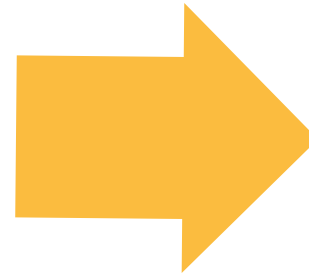
Implementing new processes isn't easy...

It's challenging...

to get the
team to
buy in.



to
automate
enrollment

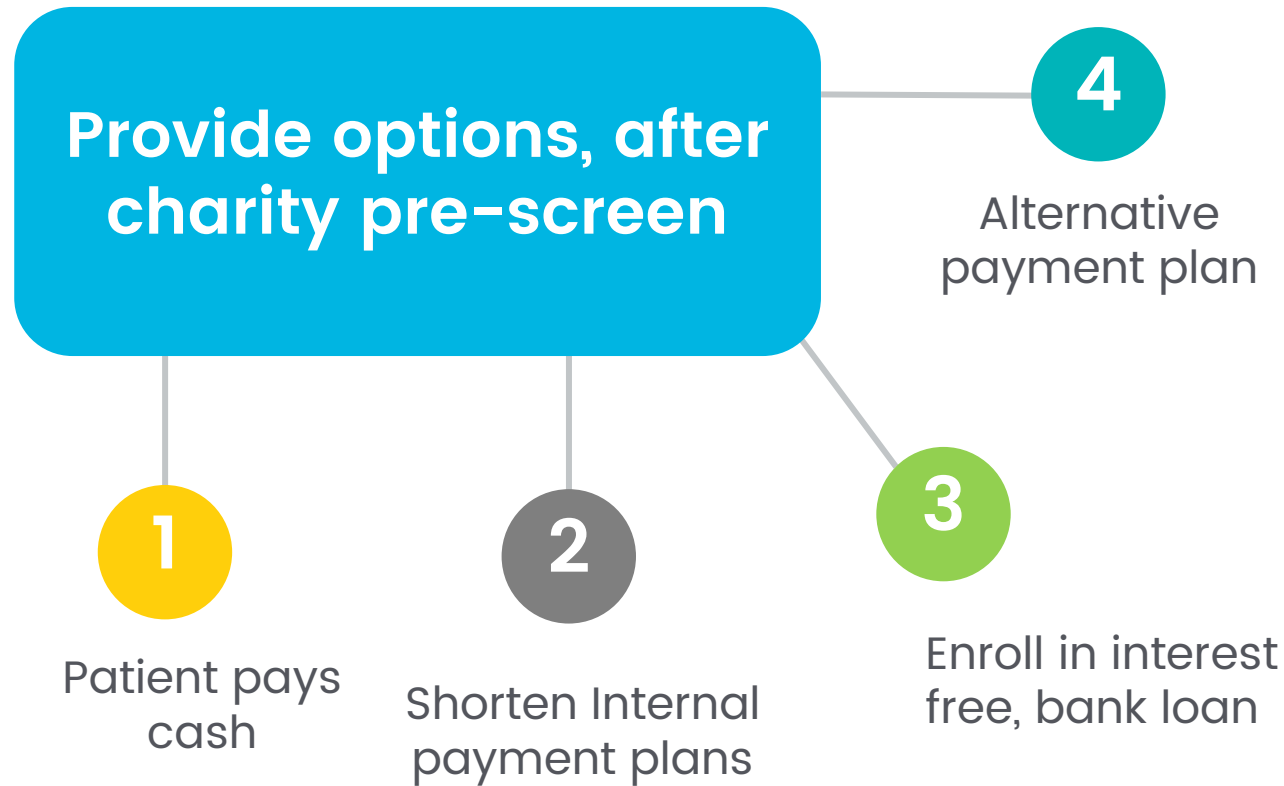


So...

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.



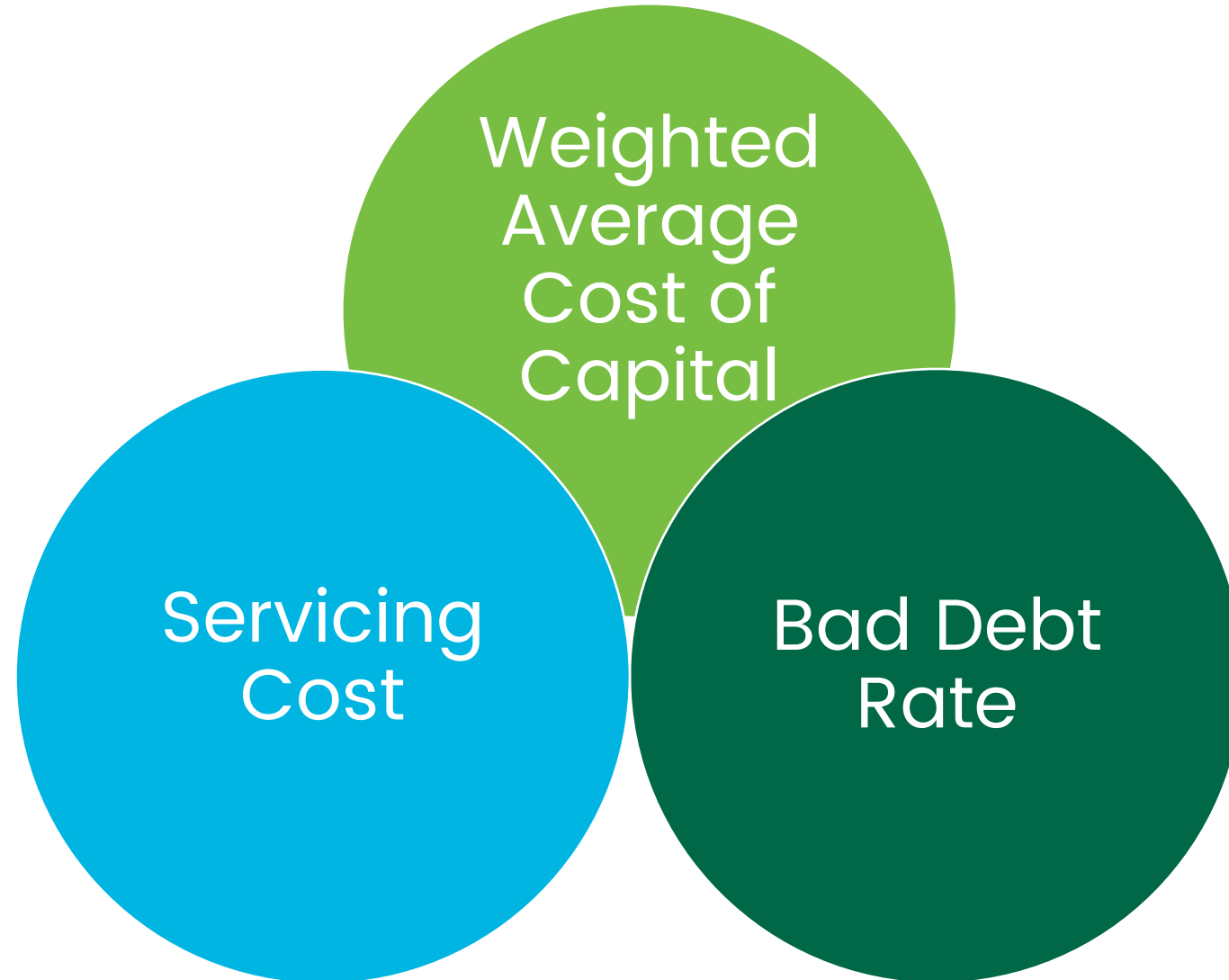
What can work:

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



Measuring Costs/Calculating Value

In-House Payment Plans: Measuring Costs/Calculating Value



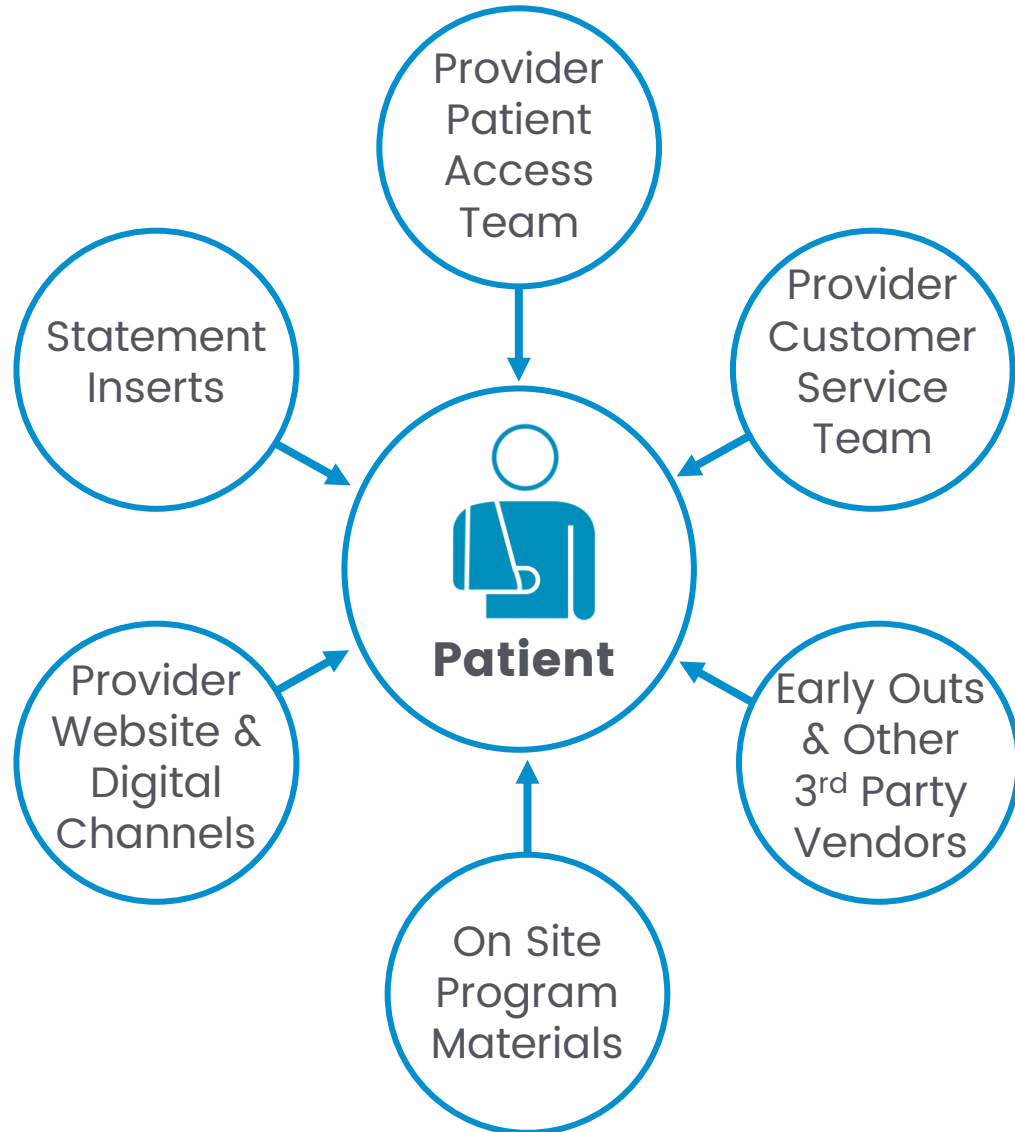
ABC Hospital – Example	
Total Patient Payment Plans	\$1,000,000
Average Patient Repayment Term (months)	36
Average Account Size	\$1,000
Monthly Servicing Costs Per Account	\$5
Monthly Collections	\$27,778
Monthly Servicing Costs	(\$5,000)
Net Monthly Collections	\$22,778
Hospital Weighted Ave. Cost of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

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)
Imputed Cost \$	\$227,989	\$252,237	\$299,497	\$473,120	\$624,618	\$756,996	\$925,262	\$1,141,866	\$1,299,629
Imputed Cost % of Total	22.8%	25.2%	29.9%	47.3%	62.5%	75.7%	92.5%	114.2%	130%



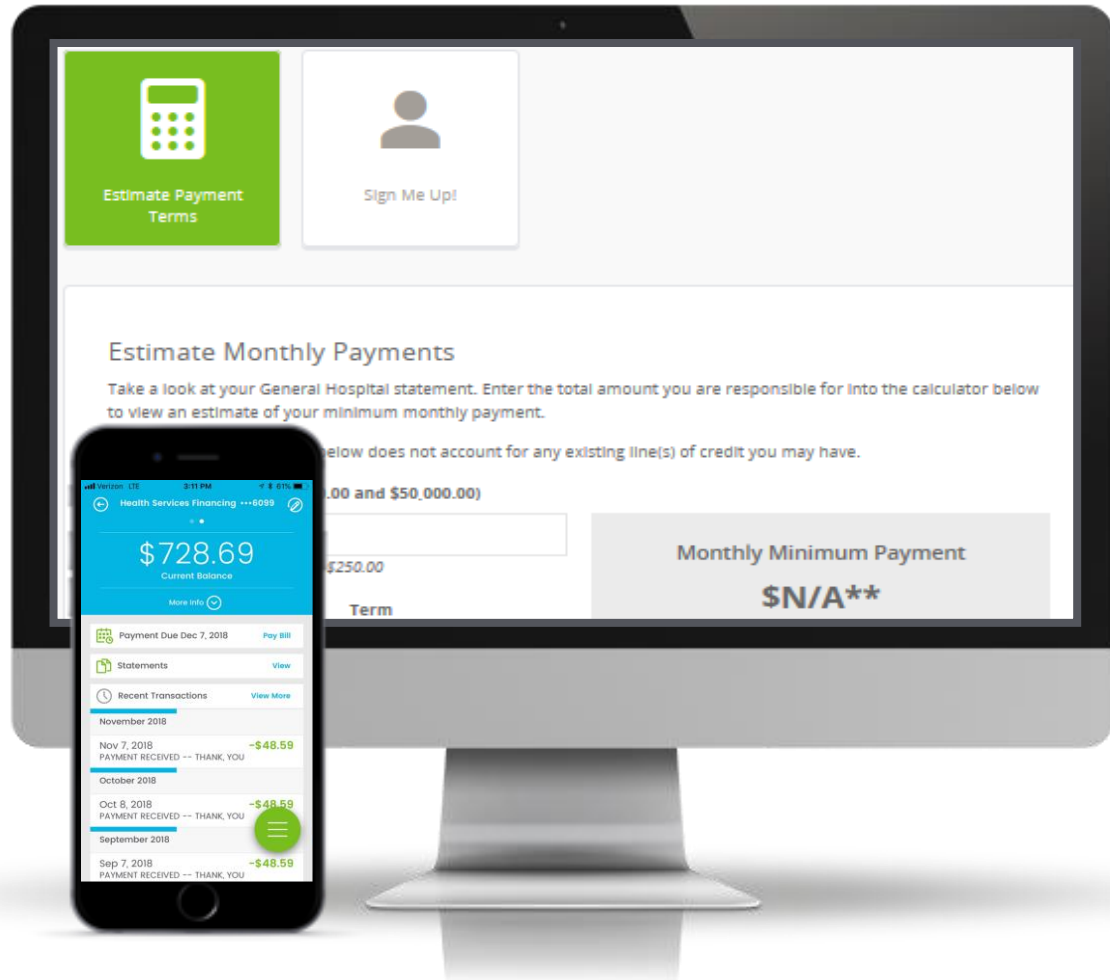
Patient Consumerism: The Best Approach

Payment at Any Point in the Revenue Cycle



- **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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