How new technology is helping healthcare providers meet the pressing challenges of reducing bad debt by improving patient billing and collection

Revenue Cycle Management Impact

...By using on demand and automated payment options, healthcare organizations have managed to improve patient responsible Revenue Cycle Management by 30–70%.

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This paper examines the significant impact of recent changes in the healthcare market on the ability of healthcare organizations to collect payment from patients. The escalating amount of deductibles to be paid by patients off-site is creating a void as to where and when they pay, which in turn is creating less impetus to pay. In addition, consumer perception is altering the ways in which patients prefer to pay their bills, a factor which healthcare organizations increasingly need to face up to.

These changes are set to drive the uptake of new technological advancements in Electronic Bill Presentment and Payment (EBPP) in the Healthcare industry.

1. Changes in the Healthcare market driving the need to improve billing and payments processes
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“A key reason why there is such a huge problem with payments in the US healthcare industry is down to the higher levels of deductible in insurance payments which needs to be paid by the patient themselves. But once the patient has left the doctor’s office or hospital, there becomes less impetus for the patient to pay the outstanding balance – adding significantly to the healthcare industry’s problem with bad debt. By implementing electronic billing technology effectively, this problem can be significantly reduced,”

Scott McCollum, President of BillingTree
Section 1 – Changes in the Healthcare market driving the need to improve billing and payments processes

There has never been a more critical time for US healthcare providers to ensure they follow guidelines of best practice when it comes to billing and payment.

According to a recent report by financial analysts, the Aite Group, US patient-to-provider payments will spiral to $381 billion by year-end 2015 from $270 billion last year, fueled by the change in the dynamics of the healthcare market, alongside the ongoing shift of responsibility onto the consumers to take control of their healthcare.

Meanwhile, a report released May 2011 by the Department of Health and Human Service found that a massive $49 billion of medical bad debt is amassed every year by uninsured hospital patients. Those findings followed a study by the American Hospital Association where 87 percent of healthcare organizations surveyed reported increased bad debt and charity care as a proportion of total gross revenue.

All this presents a major challenge facing the US healthcare industry and is driving the absolute necessity of healthcare providers to employ a robust system to bill and collect payments from the rapidly expanding number of patients now responsible for settling their own bills.

Healthcare is lagging behind other industries in adoption of new technologies

Healthcare providers are still lagging behind in their take-up of new e-billing and payment processing systems used as the norm in such industries as telecommunications and financial services. Consumers are used to using technology for other payments such as mobile phone bills and utility payments. By using the same advanced technologies, healthcare providers can adhere to patients’ needs and increase the likelihood of payment.
The need for more effective billing and payments has never been greater

Almost 20 million newly-insured patients will enter the healthcare system by 2014 as a result of the Affordable Care Act, creating a greater onus on practices and hospitals to bill and collect balances from outside their clinics. With an increased percentage of initial payments being shifted to the patient from traditional payers through high deductible health insurance policies, this is fast becoming a real issue for healthcare providers.

When this is set alongside the massive bad debt amassed every year by uninsured hospital patients – $49 billion according to a recent report by the Department of Health and Human Service – it represents a serious challenge for the health industry.

Without change, and unless processes are implemented to ensure more efficient and timely billing and collection of patient payments, then the increased bad debt incurred by 87 percent of healthcare organizations – highlighted in a recent study by American Hospital Association – can only get worse.

Hospital Revenue Collections – the impact of self-pay on Revenue Cycle Management rates

If you look at most US hospitals, typically, the self-pay component may be only 5 percent to 6 percent of total net revenue, but it's driving 16–17 percent of the outstanding accounts receivable, resulting in self-pay having a disproportional impact on the cash flows and financial performance of the facility.1

In 2008, 90 percent of hospital net revenue collected came from insurance, 50–60 percent from the balance after insurance and 8–10 percent were uninsured.2 But now, more healthcare expenses are falling on the

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1 HFMA Executive Roundtable – 2009
2 Standard & Poor’s Industry Surveys, March 2008
shoulders of patients. The consequences of this are that there are significantly higher deductibles for patients to pay, and insurance companies are therefore requiring a greater percentage of cost to be paid by the patient, often 70:30 or 60:40.

There has also been a shift to Health Savings Account Plans to achieve significant cost savings, in an attempt to reduce the growth of healthcare costs and increase the efficiency of the healthcare system. This makes patients more responsible for their own healthcare choices.

**The effect of High Deductibles**

With significantly higher deductibles to pay, the patient pays the healthcare provider, not insurance company for the first $3,050 per individual, or $6,150 per family. The annual out of pocket expenses incurred can therefore be huge, up to as much as $11,900 per family.

And patients will wait until after the Explanation of Benefits (EOB) – a statement sent by the health insurance company to covered individuals explaining what medical treatment and/or services were paid for on their behalf – to pay the balance. They are therefore no longer in the doctor’s office when they pay – significantly reducing the likelihood of prompt payment.

It is therefore essential that healthcare providers look to implement advanced technologies in order to adhere to the needs of tech-savvy generations more willing to pay through online portals, pre-funded accounts and mobile payments etc.
Section 2 – Consumer changes driving this shift

In addition to the changes taking place in the healthcare industry, there are multiple changes occurring in the wider scope of the consumer market.

Generation Y and the increase in mobility:

Patients are now being offered the opportunity to pay health bills by mobile phone text or SMS – a development which should be particularly attractive to the tech-savvy 'Generation Y'. These patients are already comfortable with e-billing and e-payments for Internet and cell phone use so it is a natural progression for them to settle health bills in this way. By simply sending a text, patients can authorize a healthcare provider to facilitate payment from a registered account.

With the growth in the number of bills paid with a mobile device predicted at 377 percent between 2010 and 2013, it is clear that healthcare providers need to embrace mobile solutions in order to give customers the option to pay however they wish.

Supporting mobile text billing alerts and payments provides a convenient option for healthcare providers to quickly begin supporting today’s consumer on-the-go. They can leverage this technology to reduce costs associated with traditional consumer billing: printing, postage time and costs, sending time sensitive notices and outstanding balance statements and payment reminders.
Going green:

In addition to this increase in mobility, there is a significant challenge in reducing the paper wastage currently found in healthcare organizations. Because of the sheer size of the US healthcare industry, administration is very costly.

Hundreds of thousands of dollars are wasted every year processing payments. This can come from lengthy processing – reducing the volume of claims transacted – and manual errors, which further delay and add cost to the billing process. Equally, paper–based transactions are labor-intensive and slow to complete.

With green strategies currently at the forefront of many business agendas, research from NACHA found that twice as many 25–34 year olds are now adopting paperless billing methods, and that consumers who have switched to an e–billing and payments system were reportedly more satisfied than those who continue to use paper–based methods.

And the benefits of increasing environmental awareness can be significant: moving to a paperless mode of billing and payments can save up to 90 percent of paper and postage costs and achieves a 30 percent reduction in Revenue Cycle Management.
Section 3 – The new technologies that are making it easier for patients to pay

There are two major concerns for healthcare organizations today: the complexity of consumer billing and collections, and increasing patient bad debt. Putting in place a sound infrastructure for consumer-to-provider payments will not only enhance payment success, but will also generate potentially huge administrative savings in billing and payment processes.

Because of the shift of patient responsibility in the payment process, healthcare providers need to be more agile in how they can accept payments. Patient payment introduces a much more significant level of risk for healthcare organizations, and introducing new channels of payment can help significantly to reduce that risk. New technologies are available that can help healthcare organizations adapt to the increase in patient responsibility for their healthcare bills, and improve prompt settlement of patient bills and cut costs in the billing process.

Advanced payment methods, such as pay by text, pre-funded accounts, automated check-repayment options, and reward programs simplify the payment process for patients and enable healthcare organizations to encourage on-time payment of medical bills. The key lies in convenience.

Pay by text

Pay-by-text solutions exploit mobile and text applications to appeal to the expectations of the tech-savvy "Generation Y." Because these customers are already used to e-billing and e-payments for Internet and cell phone use, they can lead the charge for advanced payment processes in healthcare.

The use of SMS pay by text significantly reduces Revenue Cycle Management through the elimination of paper bills, and notifications are received more quickly as are payment authorizations. Fees for sending text bill notifications are per message and price is based on volume. The text communication can act as an authorization for a healthcare provider to process payment from a pre-registered account on file.
Pre-funded accounts

Another method of simplifying the way patients pay for healthcare is the provision of pre-funded accounts, which are managed online and can be topped up via any web-enabled device. This works well for ongoing treatments and for some lifestyle surgery where prices are relatively fixed.

Prepayment for services has gained acceptance in the United States, led by the cell phone industry. Approximately 65 percent of net new cell phone customers opt for prepay service plans (IDC, 2009).

Healthcare organizations can reduce the risk of unpaid bills by introducing pre-funded accounts for particular customers who are unlikely to be able to pay on the spot. This service establishes a points-based bank of credits which are drawn upon for recurring services or fees – or as an alternative form of payment plan. The accounts are managed online and funds may be added via any web-enabled device, including smart phones.

From the patient’s side there is no requirement for large deposits which can be unpopular for new account holders and those with credit problems.

Mark Giddings, of the Florida-based Merchants Association Collection Division, commented: “New developments in e-payments are enabling patients to pay online and through pre-funded accounts, which are encouraging patients to pay for procedures in advance, or at least to plan for payments effectively.”

“This added flexibility is key for improving collections from patients. By providing them with a variety of easy-to-use and consumer-friendly payment methods, healthcare organizations can significantly increase the likelihood of payment, while increasing convenience for patients at the same time.”
**Reward programs**

Healthcare organizations can even introduce a points-based reward program, providing consumers who complete a payment promptly with well-earned points. Customers can gain rewards for such actions as maintaining positive balances, opting for paperless billing, or setting up recurring bill payments online.

This program can help patients to more easily control their finances, while providing a risk resistant alternative to those providing the services. Similar to frequent flier programs, point balances are managed online and may be cashed in for anything from additional services to discounts on future visits, etc. If a point threshold has not yet been met and a patient wishes to purchase points to make up the gap, this is an option that a provider can opt to offer.

**Less Administration: Patients Can Negotiate Online**

One of the most costly elements of the payment process is the time spent – both by employees and in waiting – during payment negotiation. E-billing and payments solutions can dramatically reduce this overhead cost and Revenue Cycle Management time.

In addition, the damaging prospect of spiraling bad debt from unpaid bills can be dealt with by healthcare organizations using online debt negotiation solutions which enable patients to arrange a more manageable level of repayment.

Advanced agentless online debt negotiation software enables healthcare organizations to allow patients to set up an automated repayment schedule. Patients can deal with their debt problem privately, online, without having to engage with a billing department or
collection agency, and can negotiate a payment schedule which they are comfortable with. This plan is then automatically integrated into the organizations' accounts receivable systems. The technology also enables recurring payments. To oversee the process, organizations can automatically generate reminder emails or auto-dial a customer if a problem occurs – all boosting payment success rates.

Helping healthcare organizations address the growing use of collections services

As patients assume more responsibility for payments, healthcare organizations will increasingly be looking to collections services to collect their debts – a move that is bound to impact on their bottom line.

By offering more ways for patients to conveniently make payments, as outlined above, healthcare organizations can work towards encouraging patients to pay their bills on time, reducing reliance on third-party collections. And more than this, by introducing payment channels such as pre-funded accounts, healthcare organizations can receive what is in effect a 'payment of good faith', encouraging patients to pay upfront for their upcoming treatments or procedures.
Section 4 – The benefits of EBPP solutions

Increase in adoption

According to the most recent Federal Reserve Payments study, there has been a drop in the amount of checks paid. Since 2006, the debit card has eclipsed the check as the most used non-cash instrument. This wasn’t only because the number of debit card transactions increased at 14.8 percent per year from 2006 to 2009, but also because the number of checks paid declined by 7.2 percent per year.

There has also been a significant increase in the number of electronic payments made. In 2009, there were 85 billion electronic payments, and there has been a 9.3 percent growth rate per year from 2006 to 2009. This indicates a significant shift in attitudes, as the previous study showed that most Americans preferred to pay for large amounts by check – which would have undoubtedly included medical expenses.

The bottom line benefits

By eliminating manual billing and increasing the adoption rate of electronic billing, organizations can significantly reduce outstanding balances and patient bad debt – and improve their cash flow, as well as saving them up to 90 percent of their paper and postage costs and achieve a 30 percent reduction in Revenue Cycle Management.

Transactions are automatic and organizations can deal effectively with pre- and post-adjudication of fees. These fees can be difficult to monitor if performed manually, but automated e-billing and payment posting reduces the chance of human error.
**Check re-presentment**

Even if patients follow traditional payment routes such as checks, there is now technology that will provide flexible check re-presentment options. For example, healthcare providers can elect to re-present checks on strategic days such as likely pay days rather than re-submitting immediately on successive days in the case of non-sufficient funds (NSF) items.

This strategy significantly increases the likelihood that funds will be available and consequently increases the chances of payment being made and the avoidance of repeat NSF charges for the patient.

Such a service is part of the check conversion process and re-presentment thresholds are selected by the provider and then set up within their software to activate upon notice of NSF.

**Reducing uncollected payments**

In the healthcare sector, up to 60 percent of payments can go uncollected. By eliminating manual billing and data transfer processes and enhancing the collection of payments, organizations can significantly reduce outstanding balances and patient bad debt – and consequently improve their cash flow. Healthcare providers will settle payments more effectively when they provide patients with the tools to manage their outstanding balance, or claim reimbursement where the cost of treatment was estimated too high.

One large healthcare billing organization is already seeing the benefits of e-billing and payment systems: “The bottom line impact to healthcare organizations not preparing for the huge increase in patient responsibility payments will be devastating,” states David Hamilton, CEO of MedDraft. “We have seen the interest in new payment technology skyrocket with more medical practices coming online with out of office payment alternatives to accommodate the trend and minimize write off losses.”
Section 5 – The future of advanced payment technologies

The different technologies outlined above streamline the payment process and reduce administrative costs by automating many tasks. They can also help empower patients to determine how they will pay their bills, which consequently encourages payment.

Within the healthcare sector, the patient experience and community perception are important.

Many providers are apprehensive about sending accounts to collection agencies, because the result could be a tarnished image. But by implementing these advanced and innovative payment methods, providers can reduce the number of accounts sent to collection agencies. They also can provide their patients with more options to pay directly, giving the patients more confidence while removing the need to invest in expensive infrastructure to support such payments.

Good faith repayment program

One other way in which healthcare providers are beginning to target patients who might be less likely to be able to pay is through a 'good faith repayment program'. There is the distinct ability to extend this payment program already being used in the manufacturing industry into the healthcare market. In cases where a practice often incurs a high upfront cost, for example in supplying a patient with braces, healthcare providers can combat the problem of people who are put off buying commodities which they need but don't have the immediate cash to buy.

By taking an initial deposit payment to cover their base costs, healthcare providers can then offer the option of self-financing the regular monthly installment payments to cover their margin. Adopting a 'good faith repayment program' such as this can substantially increase sales without exposing the provider to underlying losses.

A patient could pay $1500 – the bare minimum the orthodontist is willing to accept – as an upfront deposit, before monthly payments begin. If the customer misses a payment, it's not such a big issue, as they have already covered the costs for the braces in their initial deposit.
Personal one-time payment URLs

And there are developments in the pipeline to make e-billing even more convenient and secure for those settling healthcare payments. One such innovation provides patients with a very personal approach to online payments. One-time-use URLs can be generated from statements, so patients can quickly pay online without the need of logging on to a public online portal. Once the payment is processed, an email notification will be sent to both the patient and the biller – if a payment fails, the biller is notified so they can follow-up with the client.

It is becoming clear that we are at a pivotal time for healthcare organizations where billing and payment processing is threatening to impact operating revenue unless changes occur quickly. Those who continue to rely on the traditional approach to billing and collections, where checks and account statements are sent through the mail, will miss out on real cost and efficiency savings.

Revenue Cycle Management Impact

A recent report from the American Hospital Association found that 87 percent of healthcare organizations surveyed reported increased bad debt and charity care as a percent of total gross revenue. As a result, many healthcare organizations will inevitably need to turn to collections agencies to recover payments from patients. The cost of using a collections service impacts the bottom line and as more and more patients assume responsibility for the treatments and procedures, the use of such services will inevitably grow and have an even bigger impact.

By offering more ways for patients to conveniently make payments, such as payments online and mobile payments, healthcare organizations can work towards encouraging patients to pay their bills on time, reducing the need for a third party collections agency. And more than this, by introducing payment channels such as pre-funded accounts, healthcare organizations can receive what is in effect a 'payment of good faith', encouraging patients to pay upfront a percentage of their upcoming treatments or procedures. By using on demand and automated payment options, healthcare organizations have managed to improve patient responsible Revenue Cycle Management by 30–70%.
Section 6 – BillingTree: a leader in EBPP solutions and with the highest penetration in the healthcare market

BillingTree has pioneered the integrated approach to payment processing through a seamless interface to software and telephony solutions that businesses use today. It is now the leader in on-demand payment processing, and in particular in the healthcare market.

In a recent analyst report Patient-to-Provider Payments: A Vendor Overview published by financial services research analysts Aite Group in June 2011, BillingTree was found to have the highest product penetration rates in the healthcare market out of the five vendors surveyed, with 42 percent, compared to a peer average of 27 percent.

An earlier report by Aite Biller Direct Technology: Vendor Overview, published in April 2011, rated BillingTree as the largest biller direct vendor by number of customers. The Report found that BillingTree had enjoyed a 20 percent growth with over 1,500 customers – significant in the current economic climate. In terms of acquisition velocity – number of clients divided by the years in business – BillingTree was rated the highest of the companies surveyed.

BillingTree provides access to powerful payment gateways that cover every available channel for accepting payment. Its product line simplifies the cumbersome process of receiving and applying payments via an integrated approach that enhances accounting, receivables, and billing software with payment-acceptance functionality.

BillingTree’s solutions simplify the billing and receivables process and make it as easy and inexpensive as possible to accept payments. Its software-as-a-service (SaaS) model delivers industry-leading payment solutions, proven integration, and point-and-click simplicity. What's important is that this approach doesn’t require new software, hours of training or lengthy implementation – the solution enables healthcare providers to focus on providing their services.
Advanced technologies

The company has integrated a variety of payment solutions into its EBPP solution for multiple markets to provide a tailored industry solution. This integration means that users are able to accept one time and recurring payments without leaving their native patient management applications. In addition, transactions that are accepted through peripheral-payment channels, such as website payments, IVR transactions, or check conversion, can be automatically posted into the application. BillingTree's most recent addition to its wide variety of payment solutions is its Mobile Solutions suite, with integrated text payment facilities.

The BillingTree credit and ACH payment-processing gateways provide an electronic payment-processing solution for healthcare billing via the Automated Clearing House (ACH) Network and major Credit Cards (Visa, MasterCard, American Express and Discover). The Automated Clearing House (ACH) electronic payment network is often used by individuals, businesses, financial institutions, and government organizations because of its more efficient and lower cost cash management capabilities, compared to Credit or traditional paper payments.

BillingTree's ACH-processing gateway creates a NACHA approved ACH–formatted file of payment transactions generated by the payment-capture solution. The ACH–formatted payment file is submitted to the ACH–Payment Processing Network for electronic processing and results in cleared funds in as little as 24 hours.

Healthcare organizations can manage all of their Credit, ACH payments, Returns, and Corrections through a single portal. They can integrate directly with their current software to process in near real time or batch upload commonly formatted files (comma- or tab-delimited) that contain transaction details – so employees don’t have to key in every single transaction manually.
Through its core solutions – BillingTree AgentBill; BillingTree OnlineBill Suite; BillingTree ivrBill; BillingTree Deposit; BillingTree CheckCollect; and BillingTree Collect – BillingTree offers a unique, customizable and fully integrated payment suite.

As more of the cost burden for healthcare services shifts to the patient, providers will be increasingly focused on collections and cash flow. After patient eligibility is verified and medical claims have been adjudicated, BillingTree OnlineBill takes over. Patients can go online and, through an easy to navigate interface, view and pay their statement balance. The patient can even be presented options for a payment plan.

BillingTree supplies the leading fully integrated, multi-channel electronic payment platform to a growing list of Industries, including Insurance, Utilities, such as energy, cable, municipal, and phone, as well as Healthcare and Subscription-billed services. Benefits of electronic payment solutions include an accelerated availability of consumer funds, reduced costs associated with manual-payment processing, improved cash management, and integrated processing by managing all payments, returns, and corrections through a single portal.
About BillingTree
The proven leader in on-demand payment processing, BillingTree empowers customers with competitive advantage through a simplification of the billing and receivables process. By delivering the most innovative technology while making it as easy and inexpensive as possible to accept payments, BillingTree has revolutionized the payments landscape. Our software-as-a-service (SaaS) model delivers industry-leading payment solutions, proven integration, and point-and-click simplicity. BillingTree’s focus on innovation has allowed us to help more than 1,800 customers eliminate manual processes and automate their payment cycles. BillingTree – Growth is our Business. For more information, visit www.mybillingtree.com or call 877.4.BILLTREE.

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