SUNGARD® AVANTGARD PREDICTIVE METRICS

WHITE PAPER
HOW STATISTICAL MODELS CAN HELP NAVIGATE THE FUTURE OF MEDICAL DEBT COLLECTIONS

Introduction

In the US, providers are seeing their debt accumulate due to regulation and rising healthcare costs. These issues may be compounded by the rise in deductibles and self-paid patients holding back on paying medical bills in order to cover other expenses. A 2013 study by NerdWallet Health estimated that one in five American adults, or 56 million people, would have trouble paying medical bills last year. Ten million of those people would actually be insured at the time of their illness.

> U.S. hospitals provided $45.9 billion in uncompensated care in 2012, representing 6.1 percent of annual hospital expenses.
>
> American Hospital Association,
> Uncompensated Hospital Care Cost Fact Sheet,
> January 2014.

A growing percentage of people with medical insurance are having difficulty paying medical bills, which could be attributed to limited coverage, higher copays and company-sponsored plans moving toward higher deductible plans. With growing debt and rising costs, while in the face of regulatory pressure and changes under the Patient Protection Affordable Care Act, what can healthcare providers do to mitigate the increase in bad debt?

> Despite having year-round insurance coverage, 10M insured Americans ages 19-64 will face bills they are unable to pay.
>
> NerdWallet Health Study, 2013

Statistical scoring for healthcare providers

Proactive approach

Some healthcare providers have looked to shift the revenue cycle by collecting payments up-front, a practice that has had both good and bad results. One group began collecting payments in the emergency room, a practice that was widely lambasted and quickly came under scrutiny by the state attorney general for running afoul of the Emergency Medical Treatment and Active Labor Act (EMTALA), requiring that treatment be provided before payment is handled.[1]

In a more patient-friendly move, a Midwest Metro Health System set up a pre-service center that takes information from the scheduling department, then verifies insurance information, eligibility, preauthorization, and patient liability. By doing this, they hoped to create a “paradigm shift” to the front end of the revenue cycle, thereby reducing bad debt exposure.[2] This type of approach involves a complete reorganization of business processes and human resources.

Short of billing patients at the door or completely redesigning the collections team, what can a healthcare provider do in order to quickly and easily improve collections?

Introducing statistical modeling

Statistical modeling generates scores that can more accurately predict payers and dollars to be collected, enabling healthcare providers to develop a more targeted and effective patient friendly collections strategy. The model generates a score based on millions of medical payment observations blended with socioeconomic and demographic data, producing accurate predictions of which patients are most likely to pay. The model does not require bureau data or personally identifiable information, alleviating concerns about violating patient privacy or permissible purpose rules. These models leverage industry-specific databases of information that is updated frequently for ongoing stability and performance.

With this score, hospitals and health care providers can more accurately predict those accounts that are likely to be able to pay, in addition to the dollar value of the patients account to ensure cost efficiencies. Providers can then develop a targeted collections strategy around these scores to make their collections efforts more effective.

1. www.insidearm.com/daily/medical-healthcare-receivables/medical-receivables/patient-collections-gone-bad-at-minnesota-hospital-system/
2. www.healthleadersmedia.com/content/fin-291143/To-Improve-Hospital-Collections-Move-Revenue-Cycle-Up-Front

More effective first-party collections

Using statistical scoring on self-pay and underinsured patients, healthcare providers can score the accounts mathematically to determine those that not only have the ability to pay, but those that are most likely to pay. In addition, the dollar score can determine those who will pay the largest dollar amount. This enables cost efficiency and enables healthcare providers to target those who are able to pay more and do not spend time, money or resources on those who will ultimately cost more to collect than they owe. This also allows individuals to be selected for certain programs to assist the needy and those willing to pay, but do not have the financial ability. Statistical scoring can also help determine which patients might be eligible to pay a reduced or discounted amount, and may help determine the appropriate payment or settlement value. Statistical scoring enables healthcare providers to develop a very targeted and specific approach to collections that saves time and money, while being operationally more effective.

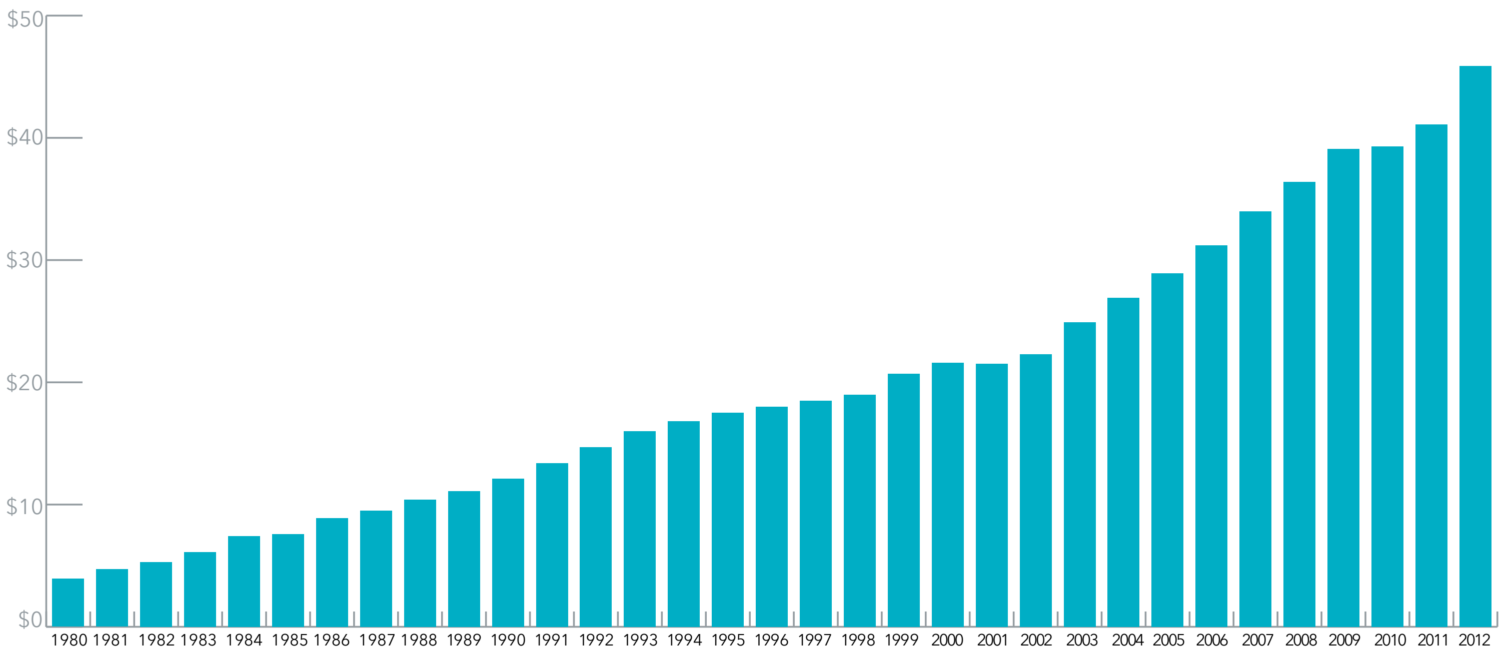
Statistical scoring can also help predict those patients who may qualify for financial assistance from charity or government programs. Healthcare providers often find that patients are unwilling to fill out the paperwork even if they meet the income and other guidelines because they may be intimidated by the process. A statistical model can determine "presumptive charity," enabling a benefit to the community and the healthcare provider. Healthcare providers can use the presumptive charity model and statistical validations based on actual charity cases as statistical evidence to show that the patient was determined charity-eligible, and maintain these records for proof during government audits.

Determine a better course of action

Healthcare providers and their collection partners continue to follow up on older debt. There is a common misconception that an out of statute patient account cannot be collected – but a debt can be collected on indefinitely; rather, the account cannot be sued if it is out of statute. Many healthcare providers can use statistical models to determine those accounts out of statute that are likely to pay. Further, healthcare providers have begun utilizing statistical modeling to determine suitworthiness of in-statute patients. This can help healthcare providers determine which accounts are worth the expense of a lawsuit, pursuing only those that are suitworthy and helps avoid unnecessary expenses.

Statistical modeling can also help determine the most effective course of action for healthcare providers selling off their medical debt. With a scoring model, healthcare providers can find the top 20-30% of accounts that are likely to generate most of the revenue from their debt portfolio. They can then send the remainder to either third party collectors who specialize in patients that require additional collection efforts or can portion off the unwanted accounts and sell them to debt buyers.

Figure 1: National uncompensated care based on cost*: 1980-2012 (in billions), registered community hospitals



Statistical scoring and third-party collections

Third party collectors who are working on behalf of the healthcare providers often face challenges. Competition, costs, staff, HIPAA and many more obstacles, sometimes coupled with a short 90 or 180-day window to prove their effectiveness.

Hospitals and healthcare providers want a third-party collector that they can trust who can demonstrate not only results, but familiarity with the industry. With statistical scoring, third party collectors can target those accounts more likely to pay, and pursue those liquid accounts more aggressively. They can take more effective actions, spending less time spinning their wheels as employees become more effective, resulting in fewer complaints. Finally, third party providers can then demonstrate their specialization and achieve excellence within the medical debt recovery field.

Conclusion

Hospitals and healthcare providers are rising to meet the challenges of the new environment. In order to gain solid footing, they can implement tools like statistical scoring. As economic pressures continue to rise, hospitals and healthcare providers are working to streamline collections efforts. Utilizing statistical models can help reduce costs, while making the collections process more efficient and effective.

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