Mede/Analytics®

Self-Pay Collection Strategies in a New Era of Healthcare

How data analytics improves collections under Obamacare

The Self-Pay Population Has Changed

There's no doubt that the rise in uncompensated care puts a strain on the U.S. healthcare system. Particularly troubling to healthcare financial managers is the self-pay population, which is responsible for the majority of uncompensated care. While devising collections strategies has never been easy, the Affordable Care Act (or Obamacare) adds a layer of complexity that requires a new self-pay mindset.

In the last two decades, the rising number of uninsured patients accounted for the majority of self-pay receivables. During the same time, employers began to shift financial burdens of health coverage to their insured workers, increasing patient financial responsibilities. Now that Obamacare is taking hold, the self-pay population is undergoing a fundamental transformation marked by a rising *underinsured* population.

Today and in the foreseeable future, fewer uninsured patients will enter the doors of the hospital. Yet with the high-deductible and copayment plans that many are choosing, patients will be faced with out-of-pocket expenses that are projected to be higher than ever, forcing hospitals to rethink their collections strategies.

With the right tools and methodologies, hospitals can accommodate these changes. Technologies like data analytics can help financial managers identify coverage options, assess patients' willingness and ability to pay, and ensure a positive patient experience.

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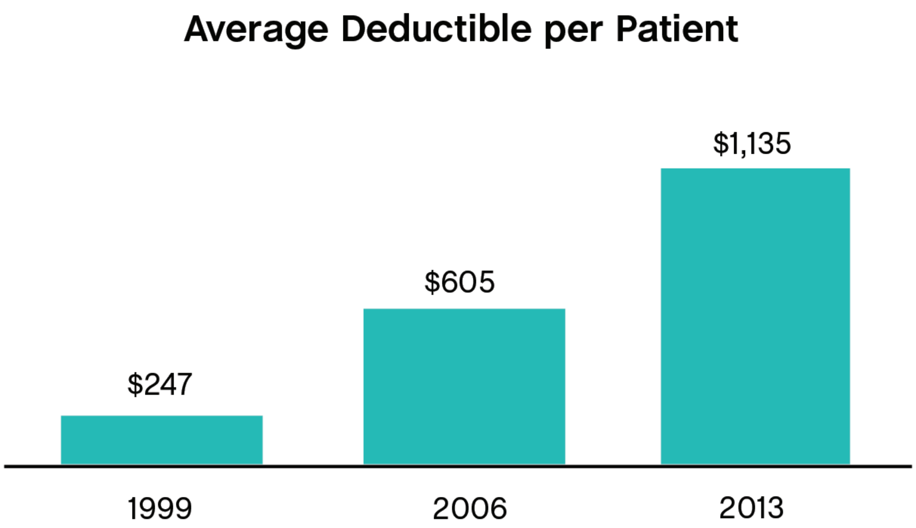
Out-of-Pocket Costs Are on the Rise

Before Obamacare, self-pay patients were largely uninsured. In 2012, more than half of the country had an uninsured rate of 14% or higher.[1] This number is expected to decrease significantly as more patients find coverage under Obamacare. Yet with rising deductibles and copays (under Obamacare and in employer plans), out-of-pocket expenses after insurance will represent the lion's share of self-pay receivables.

Specifically, insured patients incurred an average $4,701 in 2012, 16.3% of which was paid out of pocket. The total out-of-pocket costs per person amounted to $768 for non-elderly patients. Adults aged 55-64 paid $1,265 out of pocket in 2012.[2]

Rising deductibles are a major factor of out-of-pocket costs. In employer plans, the average deductible per patient was just $247 in 1999. That number jumped to $1,135 in 2013.[3] This doesn't improve under Obamacare. The average deductible for the entry-level bronze plan is $5,081 for an individual and $10,386 for a family. This is 42% higher than the 2013 average for individually purchased health insurance.[4]



What's more, the Affordable Care Act doesn't ensure coverage for everyone. Marketplace subsidies exist for patients whose income represents 100-400% of the federal poverty level. Obamacare provides for the expansion of Medicaid to adults with incomes up to 138% of the federal poverty level, yet 25 states are expected to not expand Medicaid. In those states, patients with incomes of 48-100% of the federal poverty level are left out in the cold.[5]

Rely on the Power of Data to Improve Collections

What do these changes mean for healthcare financial managers? Primarily, the shift of the self-pay population from uninsured to underinsured patients requires a new mindset. When devising a collections strategy for this changing self-pay population, hospitals can achieve powerful, measurable results from a data analytics solution that financially segments the self-pay population and prioritizes collections efforts.

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According to *Becker's Hospital Review*, "Technology innovation like predictive analytics can help hospitals leverage their own data to gather the right information for a more effective and efficient process for self-pay collections. By leveraging hospitals' patient claims data, predictive analytic models can accurately estimate a patient's propensity to pay with accuracies of 90% or higher."[6]

Cynthia Burghard
Research Director, IDC Health Insights

"Increasingly, predictive analytics are being applied to a large range of business problems in healthcare," said Cynthia Burghard, research director, IDC Health Insights. "Payers have used predictive analytics to identify high-risk patients for years. More and more, we are seeing both new applications of predictive analytics as well as increasing sophistication of methodologies and approaches."

A self-pay collections strategy with data analytics can achieve several important objectives:

- Increase and accelerate cash collections
- Reduce the cost to collect
- Improve productivity and efficiency for in-house collections personnel
- Identify charity care to maintain non-profit status and reduce bad debt
- Ensure patient satisfaction

There are three primary best practices to consider when achieving these goals:

- Determine coverage options
- Identify the propensity to pay
- Ensure a patient-friendly experience

SUCCESS STORY

Wheaton Franciscan Healthcare uses MedeAnalytics to streamline financial counseling and determine insurance coverage and charity care eligibility at the point of care.

"With real-time reporting, we can analyze accounts receivable in ways we never could before."

~ Michelle Jones, Director of Financial Services and Patient Access

Best Practice #1: Determine Coverage Options

In any attempt to reduce bad debt, helping patients find coverage is always the first objective. Determining eligibility for Medicaid, health insurance exchange plans, or charity care is best done during the patient registration process where staff can counsel patients on their options face to face.

Data analytics solutions automate the financial counseling process by quickly ascertaining a patient's household information, income, assets, and more. This data can be compiled to automatically identify coverage options and quickly generate Medicaid and charity care applications, which can be signed and submitted during patient registration.

Streamlining the process in this way is crucial. Automating paper-based processes significantly increases the number of patients a hospital can serve. The more patients who find coverage or qualify for charity care, the less likely it is that their balances will fall into bad debt.

Best Practice #2: Identify the Propensity to Pay

After determining coverage options and charity care eligibility, hospitals will be left with self-pay balances that stem primarily from high deductibles and copays. This is where a data analytics solution proves most powerful, offering sophisticated tools to bring a scientific approach to the self-pay revenue cycle.

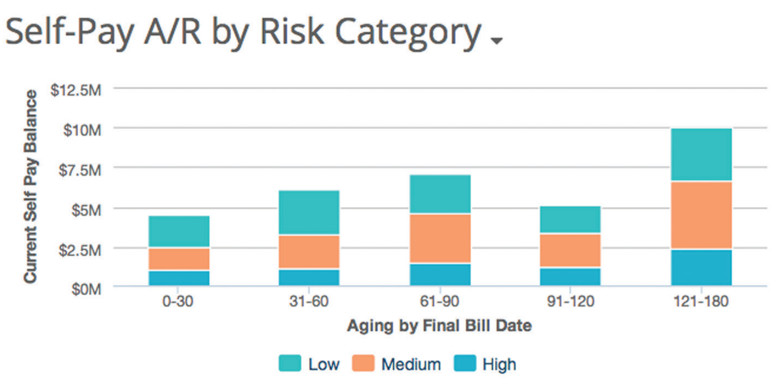
These tools provide insight into the expected behavior of self-pay patients and generate a payment predictor score. This score is determined by several criteria:

- Healthcare credit score
- Patient payment history
- Federal poverty level
- Zip code and demographics
- Marital and employment status

Healthcare financial managers can look to these payment predictor scores to determine which patients are most likely to pay their bills.

Healthcare financial managers can look to these payment predictor scores to determine which patients are most likely to pay their bills and then devise a self-pay strategy based on prioritized collections efforts.

For example, uninsured patients with low healthcare credit scores and high initial balances are much less likely to pay their bills than patients with a good payment history, high income, and solid employment status. Rather than lump those accounts together and send them to a collections agency, hospitals can predict which patients are most likely to pay and collect on them in house, effectively reducing the cost to collect.



Traditionally, about 80% of self-pay dollars collected come from 20% of self-pay accounts. Segmenting accounts before collections enables financial managers to minimize wasted effort on high-risk accounts and maximize revenue from patients who are willing and able to pay.

Best Practice #3: Ensure a Patient-Friendly Experience

Whether a hospital is devising a collections strategy or determining coverage options in financial counseling, every step of the process must ensure a positive patient experience. There are several ways in which a data analytics solution can help:

- Identify charity care discount eligibility
- Aggregate previous and outstanding balances
- Generate credible, out-of-pocket cost estimates prior to service
- Determine appropriate payment or financing options

On the whole, these activities give patients clarity and peace of mind when it comes to paying their portions of their bills. This approach shows that hospitals have a vested interest in helping patients with their bills and that no patient will be overlooked.

Realize a Measurable, Meaningful ROI

These best practices highlight how a data analytics solution can offer a strategic advantage in increasing self-pay collections, improving productivity for in-house collections staff, and reducing the overall cost to collect. While Obamacare has fundamentally transformed the self-pay population, the right tools can help healthcare financial managers devise a more efficient and scientific approach.

The resulting return on investment—measured through collected dollars, reduced bad debt, and fewer days in accounts receivable—is significant. Moreover, the entire experience improves patient satisfaction, which is fundamental to any hospital's objective to provide superior care.

Self Pay Analytics is available with MedeAnalytics Revenue Cycle. For more information, please visit ***www.medeanalytics.com/solutions/revenue-cycle.***

1. Kaiser Family Foundation (http://kff.org/uninsured/fact-sheet/key-facts-about-the-uninsured-population/)
2. *2012 Health Care Cost and Utilization Report*, Health Care Cost Institute, September 2013 (http://www.healthcostinstitute.org/files/2012report.pdf)
3. Kaiser Family Foundation (http://kff.org/health-costs/issue-brief/snapshots-the-prevalence-and-cost-of-deductibles-in-employer-sponsored-insurance/)
4. *HealthPocket*, December 12, 2013 (http://www.healthpocket.com/healthcare-research/infostat/2014-obamacare-deductible-out-of-pocket-costs#.UxkKGuddXbt)
5. Kaiser Family Foundation (http://kff.org/uninsured/fact-sheet/key-facts-about-the-uninsured-population/)
6. *Becker's Hospital Review* (http://www.beckershospitalreview.com/finance/4-steps-to-utilize-a-hospital-s-own-patient-data-to-improve-self-pay-collections.html)

About MedeAnalytics

MedeAnalytics provides evidence-based insights to solve a real problem that plagues healthcare – how to use the immense amount of patient data collected along the care continuum to deliver cost-effective care and promote a healthier population. Its analytics platform delivers intelligence that helps healthcare organizations detect their greatest areas of risk and identify opportunities to improve their financial health. It empowers providers and health plans to collaborate and use data to strengthen their operations and improve the quality of care. MedeAnalytics' cloud-based tools have been used to analyze more than 21 billion patient encounters in the United States and United Kingdom, providing better care to more than 30 million patients and better business for 900 healthcare organizations. For more information, visit **www.medeanalytics.com**.

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