Utilizing Analytics and Financial Scoring to Stratify Self-Pay Receivables

As healthcare costs and self-pay volumes continue to increase, it has become imperative to find ways to more efficiently and effectively collect patient responsibilities while controlling cost-to-collect. Because self-pay balances can be so challenging to collect, many providers are finding that more focused, data-driven efforts are needed to pursue these balances, assigning them to staff based on factors such as aging, alpha-split, or credit scores alone may no longer be a sufficient means of allocating resources.

Some organizations are utilizing financial scoring software in order to more accurately determine patients’ propensity to pay and better drive workflows based on this information. Florida Hospital—an eight-hospital, 2,200-bed system located in Orlando, Florida—is one organization that has seen both a significant increase in collections and a decrease in cost-to-collect through this approach. Coy Ingram, Director of Patient Financial Services, and Maria Conte, Call Center Manager, recently spoke with The Academy to discuss how Florida Hospital has been able not only to collect patient balances earlier and dramatically increase monthly collections, but also to streamline workflow, reduce costs, and improve staff performance through working with a business partner to implement analytics for receivables.

Going Beyond Credit Score Segmentation

Prior to going live with its selected business partner in 2010, Florida Hospital had been utilizing traditional credit scores to determine propensity to pay and drive follow-up efforts. However, the organization realized a new approach was necessary. “We felt we had done a pretty good job,” Ingram explains. “But [by that point], our self-pay volumes were rapidly growing, we saw patient responsibilities continuously growing, and we felt we needed to adapt to a different environment.” The leadership team began to see the need to go beyond a simple credit score in stratifying follow-up efforts, especially since credit scores could not be obtained for nearly 20% of the patient population involved in traditional credit-scoring efforts.

Utilizing Propensity-to-Pay Scores

In order to find a new, more effective stratification method, Florida Hospital began to look externally—initially evaluating several different companies. After approximately one year of research, leaders chose a vendor that not only provided a robust stratification methodology, but also would work individually with Florida Hospital leaders to tailor its analytics and follow-up approach to fit the organization.

Instead of using a credit score alone to predict a patient’s likelihood of payment, the vendor proposed stratifying accounts through a more complex set of data points, utilizing both proprietary and public information to assign each account a propensity-to-pay score and divide receivables into six different segments. A highly specific workflow—based on analysis of historical payment rates and other factors—would accompany each type of account and determine the number and type of statements sent as well as automated dialer calls placed. The business partner would also assist Florida Hospital in tweaking its scripting to utilize different verbiage based on the type of account, how many statements had been sent, and how many dialer calls had been placed through the account cycle.

However, before completely live with the new solution, Florida Hospital contracted with then vendor for an initial six-month pilot “champion challenger,” giving the company an opportunity to prove whether the proposed approach would yield a higher, faster cash collection rate. “[During that pilot], we split up the accounts so that half fell into [the vendor’s] algorithms and their recommendations…and then we left the other half as part of the original segmentation [based on credit scores],” Ingram explains. After the pilot, Florida Hospital leaders sat down with the company to compare the results of each approach each month, and they saw that stratification based on the company’s financial scoring techniques yielded a steady incline on collections internally at a rate 15–16 days earlier than the credit score approach. As a result, Florida Hospital transitioned to a complete implementation, and within...
the first 30 days alone, the organization saw nearly a 40% increase in cash collections and a significant drop in bad debt.

Prioritizing Accounts and Achieving Cost Savings
Besides enabling an estimate of payment likelihood for every account, the new approach and workflows provided a much more accurate determination of payment propensity, which allowed the organization to strategically decide which accounts would be worked internally and which would be sent to an early-out agency. “We keep the ones that have higher propensity to pay internally through our CBO team, and the ones that have a lower propensity to pay are outsourced,” Ingram explains. “[Our staff] are getting to the people who are willing to pay, collecting dollars much earlier in the account cycle,” Conte adds.

This approach also reduced overall cost-to-collect. “We saw a huge decline in the amount of dollars that were being outsourced, and a corresponding significant reduction in the amount of [agency] fees,” Ingram says. By minimizing the need to pull patients’ credit scores, Florida Hospital also saved those associated expenses.

Increasing Self-Pay Yields
Overall, Florida Hospital’s seven customer service representatives and nine collectors went from collecting an average of $300,000 per month to over $1 million per month consistently for over one year. Ingram notes that no changes were made to the number of hours worked, and no additional staff were extended to this effort.

Due to higher collection rates, Conte has been able to gradually raise the performance levels required for collection incentives. Originally, staff collecting $40,000 or more per month were eligible; presently, the eligibility minimum is $102,650. “We look at the incentive plan quarterly to see if we need to tweak it, and it keeps increasing,” she explains. “But it’s attainable— each time we’ve raised the goal, they’ve risen to the challenge.”

Considerations for Selecting a Business Partner
To Florida Hospital, the most crucial aspects for success were the vendor’s ability to work with the hospital throughout the entire implementation and beyond, as well as a consultative approach that fit the organization’s needs. Continued collaboration and fine-tuning with the vendor has also proven beneficial. As a result of concurrent analysis, a better workflow for one of the lowest propensity segments has been identified, which has enabled a more accurate determination of the best time to outsource these accounts. “[Our vendor] was very flexible and customizable to what our needs were—we are a faith-based organization, so we didn’t want to be too aggressive,” Ingram explains.

Overall, the experience of Florida Hospital demonstrates that there may be significant opportunity to obtain higher self-pay collections by utilizing comprehensive data-driven stratification techniques. In doing so, organizations can more accurately determine patients’ propensity to pay—optimizing self-pay collection efforts, increasing yields, and decreasing cost-to-collect.