13 Things TO KNOW TO OPTIMIZE YOUR PATIENT-PAY PERFORMANCE
ABOUT CONNANCE, INC.
Connance is the industry’s premier source of predictive analytic technology solutions that enable hospitals, physician groups and outsourcing organizations to optimize financial and clinical workflows for sustained performance improvement. Connance revenue cycle, revenue enhancement and population health solutions combine an organization’s existing technology and resources with proven web-based predictive analytics and workflow technology to improve net income, reduce costs and enhance the patient experience. Connance is redefining workflow optimization in healthcare for superior financial returns and an improved patient experience.

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ACA & high deductible health plans are leading to an increase in patient responsibility

The enrollment of millions of new consumers in the Affordable Care Act exchanges and the continued adoption of high deductible health plans among employer plans means an unprecedented rise in patient-pay revenue. Bronze and silver plans on the health exchanges, selected by the vast majority of new enrollees, are designed so that consumer out-of-pocket amounts are equal to 40% and 30%, respectively, of the patient’s annual expected healthcare spending. **Already the hardest to collect, patient-pay is becoming more challenging and putting even more pressure on hospital margins,** making patient-pay performance an increasingly important component of a healthcare provider’s healthy cash flow.
What is your insource/outsource strategy?

Is patient-pay going to be a source of competitive advantage because it could be a place for increased cash, reduce costs and improved patient relationship management? Or will you need to figure out how to outsource it because you think someone else may be able to do it more effectively, given today’s environment? Or, perhaps, you may select a blended strategy that keeps those accounts in-house that you know will pay their bills with minimal efforts on your part and outsource those accounts that are more challenging to collect from? Leading providers leverage predictive analytics from bill drop through bad debt to gain insight into what each account is worth and how much they are expected to pay, then they weigh their resources and relationships to choose the most efficient and effective insource/outsource strategy.
Leading providers have great point-of-service \textit{AND} business office follow-up

While many think that the front end of the revenue cycle represents the greatest opportunity to improve patient-pay collections, the majority of patient-pay cash, more than 80\%, is actually collected in the business office post-discharge. Improving both ends of the process is not a zero sum game. Providers working on both aspects are realizing improvements in both, although back office efforts often are easier and more effective.
Different patients need different types of engagement to help resolve their bills

We all know that people have different levels of understanding and comfort with healthcare billing processes. Using segmentation and working accounts with different processes means patients receive more tailored help. When we send the right message at the right time our interactions get people to respond more productively, increasing cash payments, reducing operating costs and enhancing the overall patient experience. Superior business office engagement creates stronger patient relationships and impacts how patients think about their future healthcare needs.
Prioritizing collection efforts by balance and age leaves money on the table

70% of larger balance accounts actually pay nothing. In fact, providers only collect 11% of patient balances greater than $500. So it is not the balance alone that is important, but rather who will pay and what they will actually pay—the expected cash value. By focusing collections efforts on expected cash value instead of simply balance due, providers can see improvements of more than 20% in cash yield.
Prioritizing collection efforts using segmentation can increase cash

We know that 30% of all your patient accounts will yield 80% of your patient-pay cash. We also know that almost 30% of your accounts will yield no cash, or less cash than it costs you to collect. Using predictive analytics to drive segmentation and subsequent workflows, your accounts can be worked smarter. Leading providers segment their accounts into those they “wait and watch” because they will self-cure, those they would “invest” their resources in, and those that they would “conserve” their resources in working them, or simply outsource them. In addition to increasing cash, this approach contributes to customer service representative effectiveness and also improves their job performance and satisfaction, while reducing turnover.
Credit scores are not a panacea for patient-pay

For many providers, as much as 35% of patient-pay revenue comes from people who lack credit scores or full credit files. While assumed to be of “no cash value,” the fact is that these accounts can generate roughly 25% of the provider’s patient-pay cash. Assuming “no credit score or no file equates to no cash opportunity” is just not true. Credit scores are built to answer the question “If I give this person a loan, what is the likelihood that they will go delinquent?” Credit scores are focused on loan origination for goods and services that are elective. Health and healthcare is very different and the majority of the time not “elective.” Lots of high credit score accounts do not pay their healthcare bills; and vice versa.
Poverty can’t be measured by a credit score or propensity to pay score

Credit scores measure income relative to spending. A high credit score does not mean a high income, but rather that a person meets their financial obligations. Conversely, a low credit score does not equate to low income, but rather that a person is not meeting their financial obligations. Similarly, many people living in poverty have a high propensity to pay their bills even though they will qualify for financial assistance. Propensity to pay measures intent, not ability or income, to pay a debt. Therefore, accounts with “high credit scores” or “high propensity to pay scores” will often include charity-eligible accounts. The reverse is also true — low credit score and low propensity to pay accounts will often not qualify for financial assistance.
Estimated household income alone is insufficient for charity determination

Household income estimates are not very accurate. Income estimates are typically built for marketing purposes where being directional is often sufficient, not for financial assistance qualification where federal guidelines for poverty level are very specific. **The best presumptive charity analytics triangulate using multiple socio-demographic measures** that consider elements such as literacy, household structure and living environment. Socio-demographics have been proven to be more predictive of poverty than a direct estimate of income.
A significant portion of people living in poverty will not participate in financial counseling

Having financial counselors, an eligibility team and a financial assistance policy does not stop you from missing a sizable number of needy patients or that your bad debts are charity free. Experience shows that in traditional processes approximately 30% of bad debt should more appropriately be classified as charity. Illiteracy, embarrassment, cultural differences, fear and many other reasons will keep people seeking financial counseling and financial assistance. Form 990 explicitly looks to understand how you prevent the non-responsive or missed from being assigned to bad debt. Presumptive charity processes that utilize a calibrated predictive analytic comprehensively and proactively keep those accounts from inappropriately being assigned to bad debt and provide rigorous methodology and backup to Form 990 submissions.
Every business office can benefit from predictive analytics that drive patient-pay workflow optimization

These things are not simply for operations with advanced technology such as dialers or large customer service teams. **Every operation can realize improved patient engagement, with existing resources, to increase the productivity of every employee or asset.** Socio-demographic and behavioral data can fuel predictive models that determine work routines to maximize resources by identifying the right sequence and content of letters, calls, messages and other collections efforts. That’s working smarter.
Vendor management provides insights into collection agency operations and performance

When providers standardize to share the same financial and activity data and put agreed-upon and automated work processes into place, identifying opportunity areas and working to improve performance is easy and everyone wins. **Providers leveraging technology for vendor management are realizing up to a 30% increase in net recoveries and savings while making compliance improvements.** And, with vendor management, collection agencies experience more loyal clients and better revenue growth. These benefits build over time, starting in small ways like lower error rates and fewer stalled accounts, and build to more cash, better efficiencies and stronger patient relationships.
Collection ROI is the key metric of success

Great business offices manage by performance and productivity, not simply cash. They think about how to drive more cash with their existing budgets and resources. Managers should reduce spending that has low cash impact and move resources to activities that will generate a higher cash yield. Combing predictive analytics, advanced workflows and performance management from bill drop to bad debt, leading organizations are achieving superior returns on their investment.