Healthcare Consumerism: Redefining Self-Pay

Today’s healthcare operations professionals face many post-reform challenges—especially in developing and delivering new ways for healthcare consumers to contact their healthcare delivery professionals and be contacted, in turn, by their caregivers.

Since more customers are carrying the cost burden, it’s time for providers to take a step back and study the catalysts behind this change and formulate strategies to handle patients’ accounts receivables.

Emergence of Self-Payment and Effects

The healthcare marketplace is experiencing a dramatic shift in cost sharing. With companies altering benefits to reduce their share of the burden and higher-deductible plans for individuals, financial accountability has transitioned significantly to consumers. As a result, both patient liability and bad debt are on the rise, and healthcare providers are experiencing financial pressures. Today, hospitals increasingly need to provide consumers with access to payment capabilities at point of service.

In light of these market changes, providers need to develop strategies to better manage patient account receivables, with faster cash recovery and reduction in bad debt.

Marketplace Changes Driving Self-Pay Increase

There are primarily two marketplace catalysts that have triggered defaults and an increase in bad debts for providers:

Size of self-pay accounts: According to research, the average deductible has doubled in the last couple of years: in 2006, it was less than $600 and in 2014, it was about $1,200¹. These being average numbers, for some plans, the size of the deductibles actually range from $0 to $10,000. The amount drawn from patients is at the highest since the inception of healthcare insurance in the US.

Number of healthcare insurance accounts: The number of insurance accounts for which patients owe money has also doubled, according to research. About 45 percent of workers didn’t have deductibles in 2006 and in 2014, this number reduced by more than half. Over the past eight years, the number of workers with deductibles has doubled and 80 percent of those have high deductible policies.

Self-Payment Strategies for Providers

As the self-pay trend is gaining momentum, patient access managers should focus on these areas:

- **Prepare for the patient’s visit:** Take the time to collect all the right information.

- **Call your insurance companies:** You should do this if this is the only way to approach self-pay cases. You need to validate patient coverage, validate benefits entitled for the service in question, and also validate patient liabilities, unmet deductibles, copays, and coinsurance.

- **Call your patients:** Establish control over your payment process. Financial clearance solutions enable tracking of potential vs. actual payment. By talking to patients about visits, you can validate demographic details and insurance coverage pertaining to the visit in question. This is the best situation to access payment process flow and understand if there are any issues such as non-covered payment or any specific deductibles for special treatments. At the same time, you can also determine if “new” payers are primary – workers compensation and liability insurance. This is a customer-centric stage that helps determine patient commitment through financial transparency and planning.

- **Call your doctors:** Keep communication lines between you and doctors open to learn in advance about as many patients as possible who are coming to your facility for treatment, whether as a referral to your specialty office or as an outpatient for diagnostic testing or as an inpatient referral.
  
  - Identify all current patient liability, such as copays, estimated coinsurance, and deductible balances; open past due amounts on the provider AR, and any amounts currently in bad debt.
  
  - Note all accessible sources of patient income and asset information and be ready to have a well-informed conversation with the patient about their ability to pay.
  
  - Define your policies about managing hardship cases: what do your vision, mission, and values tell you to do with patient balance collections? Consider restricting the amount of discretionary money that the patient has to assign to the payment and also consider limiting the overall length of the payment plan. For example: The monthly payment shouldn’t exceed 15 percent of the discretionary income after normal expenses (rent, heat, transportation, food, clothing) and should not exceed 12 months in duration.
  
  - Write a letter tracing the patient’s total liability (even if estimated) toward the provider, accessible payment sources, alternatives to payment (in agreement with your Financial Assistance Policies) and proposed payment arrangement.
  
  - For patients arriving at the Emergency Department, follow all the rules of engagement outlined in the EMTALA.

- **Meet your patients:** When meeting the patient, have all the above information you have collected with you and discuss patient liabilities, payment sources, and your comprehensive Financial Assistance Policy (see IRS 501r discussions elsewhere) for patients who are unable to pay their dues.

- **Have clearly defined payment protocols in place:** Make multiple modes of payment accessible to the patient: cash, check, money order, credit cards, and e-checks with optimal security, yet simple enough for patients to follow. Ensure that you provide patients with all possible modes of payment. You should also stay in touch with vendors about innovations and solutions to make your self-pay collections more efficient and effective.

**POS Prognosis**

A well-executed POS collection process will reduce patient anxiety about financial issues and improve patient satisfaction levels. Good POS policies will dramatically improve cash collections, especially if the provider improves overall preparation by identifying ways to gather and validate the information, as well as preparing the “patient estimation” portion of the process. The need to focus on this previously neglected portion of the revenue cycle has never been greater. And there’s nothing on the horizon to suggest that this patient balance collection problem will do anything except grow in importance.

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