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A/R Authority

*Turn every **PATIENT** into a **PAYING PATIENT***

IMPROVE PATIENT PAYMENTS NOW

Four simple steps to help you collect the all-important out-of-pocket expenses for your healthcare services

INTRODUCTION

Rising healthcare costs — coupled with multiple programs to better control reimbursements — have dramatically transformed the insurance landscape. Today, insurers are reimbursing less and increasingly shifting costs to patients through higher deductibles, copays, and coinsurance, resulting in significantly higher out-of-pocket expenses for patients.

Consequently, healthcare organizations, including hospitals and physician practices, must place a greater emphasis on patient-pay collections because those collections now account for a much greater portion of the bottom line. So if you've been passive about collecting patient payments, we have a strategy to help you be proactive and successful at collecting the cash for the services you provide.

DEDUCTIBLES ON THE RISE

With recent changes in the healthcare landscape, including the Affordable Care Act and health insurance exchanges, the average deductible amounts and, therefore, out-of-pocket costs for insured Americans has increased in recent years. In fact, a 2014 survey indicates that the number of consumers with high-deductible plans has risen dramatically in the last few years. In 2010, only 16 percent of those insured had deductibles of $1,000 or more. In 2014, 40 percent of insureds had such deductibles, with the average deductible at $1,046. In addition, some 49 percent of insureds had out-of-pocket maximums exceeding $3,000, up from 33 percent in 2010. The average out-of-pocket maximum was $3,046 in 2014.[1]

In 2014, the average deductible was $1,046, and the out-of-pocket maximum was $3,046.

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MORE THAN REIMBURSEMENTS NEEDED

Because in the past patient pay was a small portion of overall revenues, some healthcare organizations put these collections on the back burner, focusing instead on reimbursements to build their bottom lines. With reimbursements down and patient pay requirements up and continuing to rise, this strategy is no longer feasible for maintaining your organization's financial well-being. Therefore, a new approach, involving the retraining of both employees and patients, is necessary, so you can ensure that you are quickly collecting the dollars that insurers are requiring customers to pay.

> Reimbursements are down while patient requirements are up, so patient pay collections are more critical to your healthcare organization's financial well-being.

STEP 1: ASSESS YOUR CURRENT COLLECTIONS STATUS

To help you move toward higher rates of accounts receivable collections, start by evaluating your current collection rates and strategies. Use your software system to document the amount each patient owes you at the time of service, or upon service delivery — known as "cash on delivery" or COD. And compare the potential COD with how much you actually collected.

If your business is actually collecting less than 90 percent of the potential COD, then there is definitely room for improvement. And if you are relying on traditional methods to collect, such as monthly statements and calls by in-house staff, a more modern-day approach could prove profitable.

STEP 2: CHANGE YOUR PROTOCOLS

Asking for money may seem uncomfortable to some of your staff, but patients are quickly becoming accustomed to "payment due at the time of service" policies established by many healthcare vendors. Following suit is just a simple matter of training — of both your employees and your patients.

Start by meeting with your staff to explain the increasing value of patient collections. Make it clear that this is a financial objective that the team has to meet to ensure your organization's ongoing success, and stress that every employee can contribute.

Establish guidelines for training staff so they can overcome patients' objections to paying at the time of service. Include payment alternatives in these guidelines, such as accepting credit or debit card payments, payments by check or cash, or creating payment plans. Determine parameters for offering payment plans, including payment plans based on the balance owed and the patient's ability to pay, securing income information to determine plan amounts and length. Obtain the patient's signature on each payment plan, or truth-in-lending agreement, so the agreement is legally binding.

Collecting

Teach your staff to follow the "four Cs" of patient payments.

- **Capture** the demographic and contact information for patients and responsible parties, including both cell phone and landline numbers as well as email addresses and social security numbers.
- **Confirm** insurance information and patient responsibility before the provider sees the patient (deductibles, remaining out-of-pocket owed, and coinsurance amounts) at each verification.
- **Calculate** the portion the patient owes.
- **Collect** the patient's payment, or as much of it as possible, at the time of service.

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Some patients, who were accustomed to the status quo of paying little or nothing at the encounter and waiting for a bill to come in the mail, may balk at paying copays and coinsurances up front. However, as your staff members collect consistently, your patients will become accustomed to the new normal of paying at the time of service. Keep in mind that many insurance contracts legally obligate the provider to collect copays at the time of service, and the contract does not permit the provider to bill the patient after the service. Doing so results in a violation of the insurance contract and penalties from the payer, including termination of the contract.

Patient payments for copayments and coinsurances are more likely to occur when the provider collects the payment at the time of service. Providers have little chance of collecting these balances due after rendering services.

Billing

Obviously, you need to bill whatever balances you can't or aren't collecting at the time of the encounter, and some billing practices are more likely to yield results than others. But the first rule of thumb is to send the bill within 48 hours from the date of service if your policy required the patient to pay at the time of service but the patient did not pay, and within 48 hours of receiving an insurance payment leaving a deductible and/or coinsurance or insurance denial balance from a denied claim.

In the following cases, you can generate the patient-pay invoice at the same time you bill the payer:

- Medicare Part B when the patient has no secondary insurance if you are billing for balances other than the deductible.
- Private insurances when the patient has no secondary insurance and you are not contractually obligated to wait when you are billing for balances other than the deductible.

However, be aware that many patients won't pay until their insurance processes the claim.

STEP 3: REWARD IMPROVEMENTS

Implement a rewards system to encourage your staff to be proactive with collections. Share the percentage of potential COD your business is collecting (determined in Step 1), and set a goal together to increase the amount for the month or quarter. Be sure the goal is realistic so staff members feel confident they can achieve it and earn the reward for their efforts.

For any provider to remain viable, the majority of self-pay accounts receivable should be less than 90 days old at any given time. When establishing collection goals, be sure to keep this target in mind and not allow staff to dictate how much they will collect and when. Also ensure you have adequate staff to meet your collections needs. Employ different collection techniques including collections at the time of service, regular bill cycle schedule for sending patient statements with dunning messages providing multiple payment options, regular schedule for collection calls, outsourcing current receivables to an outside vendor, and outsourcing bad debt receivables to a collection agency. (See Step 4 for more information on outsourcing A/R.)

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Continue to measure monthly and quarterly collections, and compare those figures to the potential COD to determine what percentage you are collecting. When your organization achieves the goal, reward the whole team and/or reward those staff members who were most proactive with collections.

Then set a new goal, and continue to monitor and reward with each new achievement. It's possible that, eventually, your team could be collecting 90 percent of potential COD on a regular basis. You could establish this (or another amount) as your baseline, and reward your staff every month or every quarter they stay above that baseline percentage.

STEP 4: OUTSOURCE A/R

Even if your staff is able to substantially increase the cash received on delivery, you're likely still leaving some money on the table in post-billing collections. While you could establish a plan and set goals for collections, these collections, after the service is complete, can be much more challenging than maximizing COD. Therefore, partnering with someone who specializes in patient A/R can help you achieve the most profitable results.

To find the right A/R partner for your healthcare organization, look for companies that can:

- Customize processes to fit your business's needs
- Easily interact with your system to transfer invoices, payments, and adjustments
- Talk to patients on your behalf to help them understand your billing as well as the payment procedures
- Offer several easy ways to pay
- Expand activities as debt ages using a variety of contact methods
- Document their performance on your behalf with tools that track their resolutions and collections
- Offer additional services such as A/R portfolio analysis, cost-effective collections of old A/R, and even compliance calls
- Give you a solid return on your investment in their services.

CONTINUED FOCUS ON PATIENT PAY

It doesn't take a crystal ball to foresee that patient pay requirements will continue to expand. Therefore, the collections strategies you implement now are likely to have an even greater impact on your bottom line in the coming years.

By assessing your current situation, changing your approach and rewarding achievements, you can positively impact your bottom line. And if you also work with a capable partner who can help you effectively collect after services have been rendered, you are likely to see a much greater financial gain in the long run.

REFERENCES

1. PricewaterhouseCoopers LLP, "Health and Wellbeing Touchstone Survey," June 2014. www.pwc.com/en_US/us/hr-management/publications/assets/pwc-touchstone-survey-results-june-2014.pdf

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SuperCoder's
A/R Authority can help you collect more of the cash owed to your healthcare organization.

Learn more.

SuperCoder's A/R Authority specializes in strategies to improve private pay collections for healthcare organizations, including hospitals and physician practices. A/R Authority believes in challenging the status quo and continuously thinking differently. A/R Authority combines every possible task available in the revenue cycle and aligns them into one single-sourced dashboard, allowing medical providers the ability to manage as many as 16 different billing and collection activities with little or no effort.

For more information about A/R Authority, go to www.supercoder.com/ar-authority.

Our thanks to Doug Gouy and Keith Lilek for their help in developing this white paper. Doug, who is president and CEO of Wheelchair Professionals LLC is an industry advisor to A/R Allegiance Group LLC and a 20-year veteran of the medical billing and collection field with extensive experience in order processing and accounts receivable management. Keith is the CEO and founder of A/R Allegiance Group and has extensive experience in A/R management and information technology and is dedicated to teaching clients how to properly manage the accounts receivable cycle.

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