September 2009

Revenue Cycle Strategist

hfma
healthcare financial management association

www.hfma.org/rcs

Web Extra!

Achieving Payment Assurance in a Consumer-Directed Healthcare World

By Stuart Hanson and Nav Ranajee

The growth of consumer-directed healthcare is compelling providers to optimize collections at the front end.

A relatively small percentage of the payer mix, consumer-directed health care (CDHC) volumes are predicted to rise dramatically. With this widespread growth, providers can expect the proportion of their accounts receivables from patients to rise as the payment rate from payers shrinks. In this age of thin operating margins and rising bad debt, providers can ill afford to continue to operate business as usual by funneling patients through the system and then attempting to collect on the back end.

A 2008 industry study, *The Impact of Consumer Directed Healthcare on Providers*, sponsored by Fifth Third Bank, surveyed U.S. providers to determine how the growth in CDHC is affecting the bank's operations and bottom line. The research showed that some providers are beginning to explore and implement best practices and innovative solutions to increase payment capture at the front end of the revenue cycle process.

Study Pinpoints CDHC Challenges

The bank's survey uncovered regional variations in the effect of CDHC, but nearly all survey participants, including CFOs and revenue cycle directors, agreed that momentum was building and that they needed to be better prepared or risk facing significant negative financial impact. The survey cited the following challenges in patient payment capture.

Patient misunderstanding of HDHPs. Employers frequently do a poor job of explaining the actual out-of-pocket responsibilities that employees will incur.

Provider public relations fears. As providers are left to explain the large patient financial responsibility and more aggressively pursue payment, there is a fear that cost concerns will motivate patients to defer treatment.

Skilled staff issues. CDHC is driving the need for higher skill levels and training among business office and/or the patient access staffs, with the biggest skills upgrades needed in the registration and financial counseling areas.

Inadequate or inaccurate information. Inaccurate, incomplete, untimely, or unavailable eligibility information from payers creates difficulties for providers in accurately determining how much of a patient's deductible has been met at the time of service. This failure tends to result in overcollection, causing ill will among patients and requiring subsequent refunds, or undercollection, requiring postservice billing, which is often hard for patients to understand.

Lack of electronic eligibility verification. An inability to access eligibility information electronically in real time results in extra

work in the form of telephone contact with insurance companies and/or patients.

Lack of health savings account (HSA) funding and inability to handle debit transactions. HSA accounts often do not contain sufficient funds to cover patients' complete financial responsibilities, especially when the plan is newly established and needed balances have yet to be accumulated. Many providers lack PIN data entry keypads needed to use debit cards issued to patients.

Lack of payment/financing options. Many providers do not offer bank loan arrangements or referrals to banks as part of their patient payment options.

As the survey results indicate, providers' front-end processes should be upgraded to support multiple payment options and real-time eligibility verification. In addition, providers need skilled staff to handle the impact from the growth of CDHC.

Recommended Practices in Achieving Payment Assurance

As CDHC plans gain wider acceptance, providers will face the challenge of managing added complexities in the revenue cycle. With these complexities comes the increased potential for error due to inefficient manual processes, which inevitably lead to high cost-to-collect ratios and lost revenue. Creating an efficient revenue cycle process should be a key objective of providers over the next few years as they manage increased pressure to improve their bottom lines. Providers should implement procedures and tools to move collection and settlement to the front end. Following are several recommendations for improving processes and maximizing revenue collection.

Establish patient eligibility and benefits. With the advent of CDHC, obtaining actionable information before a patient's visit is more critical than ever. Providers should implement steps to determine eligibility in real time or before an appointment to reengineer the patient payment process. Electronically verifying insurance eligibility and benefit coverage enables providers to more accurately calculate patients' financial responsibility at registration. Doing so will help providers transition patient payments from a pre¬dominantly back-end process to a front-end process with back-end checkout similar to that of a hotel. Armed with complete eligibility and benefit information, providers can capture payment at the point of service.

Manage patient expectations. Many patients do not understand their payment responsibilities. As a result, providers spend more time registering, billing, and collecting from patients, not to mention incurring their potential ill will. For this reason, providers should manage patient expectations by communicating as early as possible that payment is required at the time of service.

Offer payment flexibility. Providers should be able to handle payments from a range of payers, from self-pay patients to traditional health plans. Providers should accept all common forms of payment, including cash, checks, e-checks, credit cards, and debit cards. Offering flexibility and choices makes it easier for patients to make payments.

To accustom patients to making payments at the point of care, providers should implement a basic infrastructure to handle these collections. For large providers in particular, accepting payments at multiple collection points can ease the burden on registration and cashier office personnel, while reducing waiting time for patients. Allowing patients to ascertain their account balance and make a payment at their convenience—whether through the mail, over the telephone, or at a kiosk or a web portal—can dramatically increase collections.

Improve staff competencies. In the past, staff members required minimal collection skills. They primarily looked at an insurance card, input the information into the system, and waited for payment. With the shift from back-end processes to front-end collections, the competencies of a provider's staff become far more critical. To improve up-front collection efforts, providers should increase staff training and make appropriate investments in more highly skilled personnel.

In addition to being patient-friendly, staff members should understand of how health plans work, be able to distinguish copayments from deductibles, handle coinsurance, provide guidance with financial assistance and Medicaid applications, and process data efficiently. In addition, having staff with basic clinical knowledge can go a long way toward delivering a positive patient experience.

The importance of having high-quality staff cannot be overemphasized. As front-line employees, a provider's staff is responsible for informing patients of their financial responsibilities, identifying effective payment methods, and potentially negotiating payments.

Adopt automated tools. Automation should be a key part of any revenue cycle strategy. Providers are finding that automation is needed to adapt to new workflow requirements that drive efficiencies and accelerate cash flow. To achieve these efficiencies, providers should research the implementation of tools that enable real-time eligibility, price estimation, online bill pay, and automated posting:

- *Price estimators.* With real-time adjudication years away from mass adoption, a short-term solution is price estimation. Providing a price estimate to patients will open up an opportunity to capture payment at the point of service. Software is available that can hold credit card information online, allowing providers to charge the card after claim adjudication.
- *Explanation of benefit (EOB) conversion.* Some banks are offering the ability to convert paper EOBs arriving in their lockbox into fully reconciled electronic remittance files (ANSI 835s), which automates posting and creates significant process efficiencies.
- *Remote deposit.* This tool enables providers to scan and electronically deposit checks. Advanced technology also allows the EOB to be scanned to automate posting.
- *Online bill pay.* Multiple payment options and channels for payment will become the standard. Providers will increasingly provide online e-statements and the ability to pay by credit, debit, and electronic payment.
- *Kiosks.* Some providers are experimenting with patient kiosks for check-in, bill pay, and registration. A provider should conduct a detailed cost/benefit analysis before undertaking this initiative. Proponents say benefits include the savings achieved through the reduction of front-desk staff as well as increased collections.

Simplify the burden of collection. As the trend toward CDHC accelerates and healthcare costs continue shifting to patients' wallets, providers can take advantage of the financial expertise and efficiency of banks. Financial institutions already have a demonstrated ability to handle complex transaction processing and understand the complexity of revenue cycle management. Providers can leverage banks' core competencies in collections to offer multiple patient payment options, such as credit and debit card acceptance, online bill payment portals, and e-check processing. They can also help providers meet identity theft and payment card industry standards. In addition, banks are customizing their lockbox services to enable providers to process payments electronically, thus automating back-office processes, such as payment posting.

These recommended practices represent a sampling of the many steps providers can take to better manage the complexities of the revenue cycle.

In Pursuit of Payment Assurance

To achieve a greater degree of financial and payment assurance, providers should optimize their collection processes and increase patient acceptance of financial responsibility. Providers can use powerful tools that move collections from the back office to the front office, reducing administrative costs for handling patient calls, billing inquiries, and managing exceptions.

By enabling staff to establish patient eligibility prior to service, they are able to collect from patients before they walk out the door, allowing providers to secure payment earlier in the cycle and significantly reduce bad debt. In offering a wider range of collection options and more convenient access to patient estimates, providers can achieve important improvements to their bottom line.

Clearly, CDHC presents considerable challenges for providers today, but emerging technologies are available to help them optimize a complex transaction processing environment, making it both efficient and reliable.

Reengineering for Payment Assurance

CDHC along with the resulting self-pay responsibility is projected to rise year-over-year. The current economic environment can potentially spur this trend exponentially as employers seek cheaper plans in the form of HDHPs and consumers seek to control their healthcare spending. Even if providers are not yet seeing an impact on their bottom lines from this changing paradigm, research indicates that it won't be long before they do. Providers should be proactive in reviewing their operational gaps and invest in reengineering their people, processes, and technology to be able to navigate these waters.

Stuart Hanson is vice president, healthcare solutions, Fifth Third Bank, Chicago, and a member of HFMA's First Illinois Chapter (stuart.hanson@53.com).

Nav Ranajee is director, client engagement, Sg2, Chicago.