

CELENT

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The Future of Patient Collections

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Today's Focus

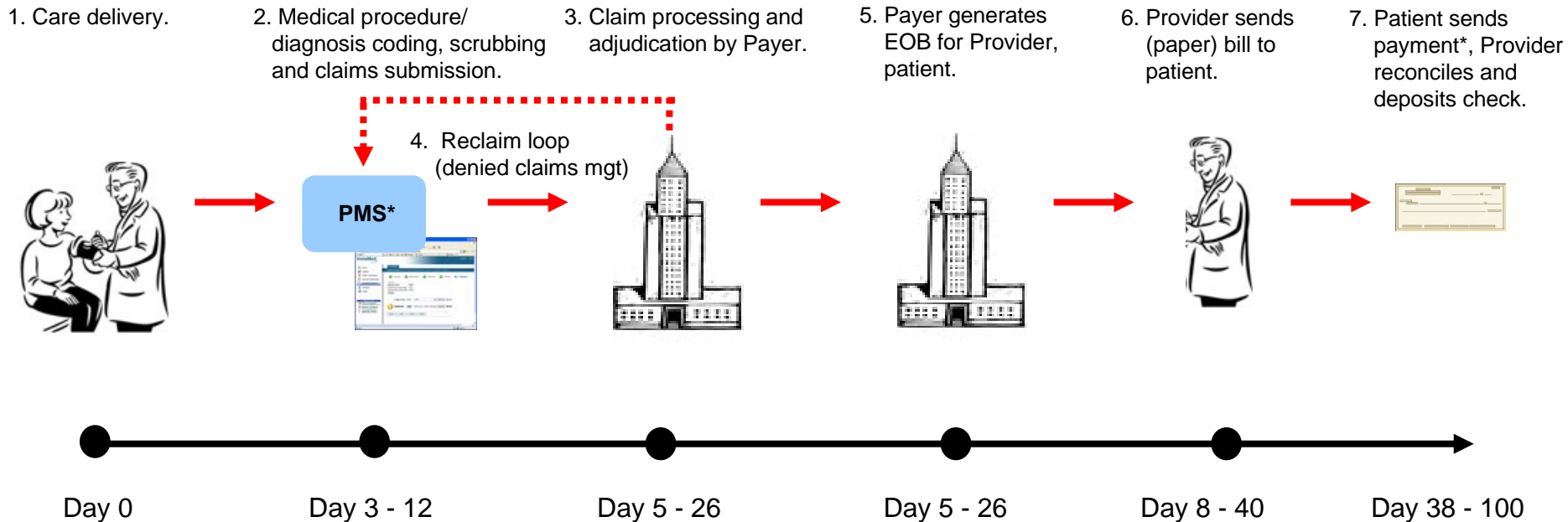
- ***Patient* side of revenue cycle management (RCM)**
- **“Pain points” of existing RCM processes**
- **Healthcare market trends that are compounding the patient RCM problem**
- **Approaches being taken to address the problem – both near-, mid- and long-term**
- **Implications & opportunities for industry players**

Traditional Patient Revenue Cycle Management (RCM) Has Many Weaknesses

- **Registration:** paper-based, subject to data input error
- **Eligibility Verification:** when it occurs, often via phone, requiring considerable wait time
- **Claims Submission & Adjudication:** takes place after the patient has left the office, requires use of complicated medical coding which is often “rejected” by the insurer (leading to re-claim processing)
- **Billing:** takes place long after patient visit, typically done via paper statements
- **Collections:** not a healthcare provider strongpoint, somewhat of a cultural taboo – average collection rates are abysmal, in the 40 – 60% range
- **Reconciliation & Posting:** paper check receipt requires manual matching with patient account in patient management system (PMS)

There Is Considerable Time Lag Associated With Traditional Patient RCM

- Patients cannot pay at point-of-service, even if they wanted to.

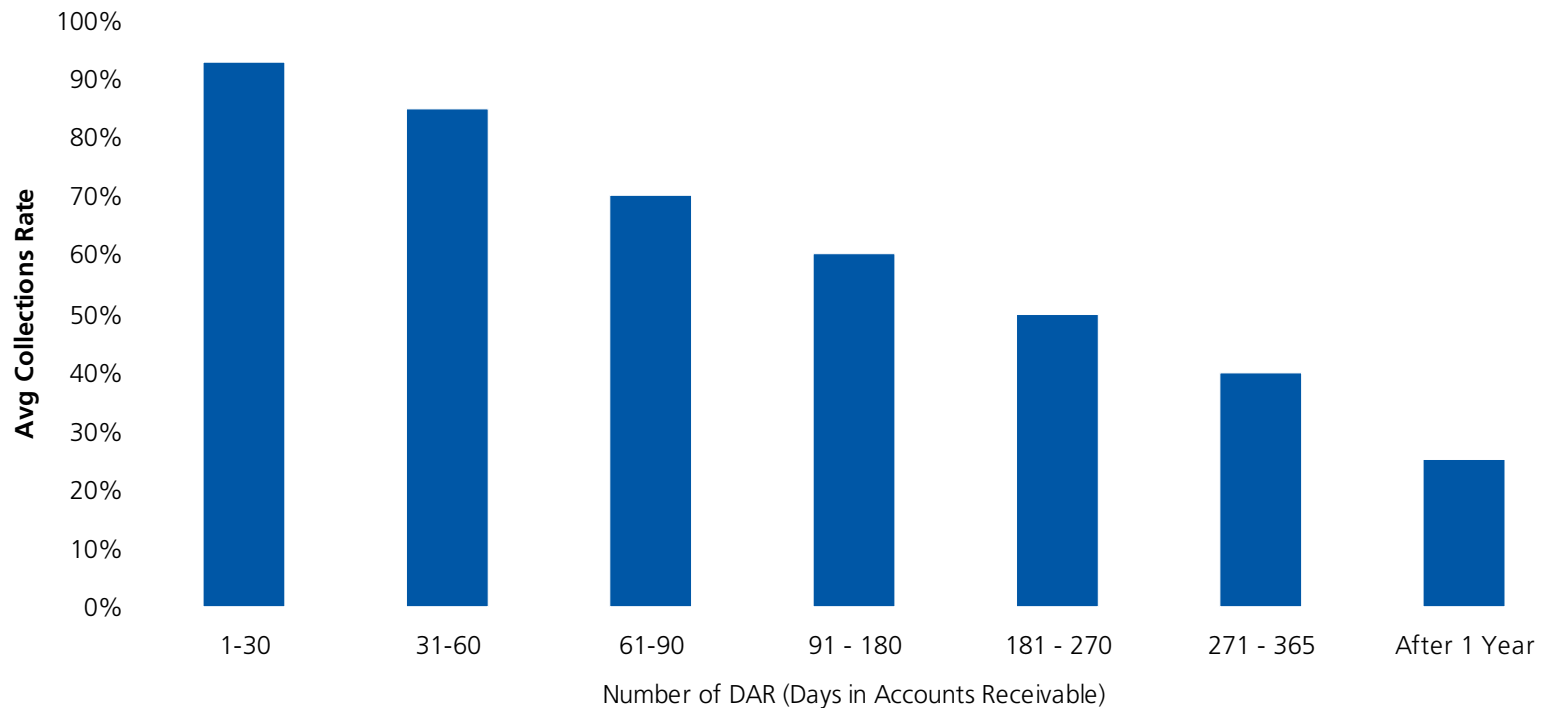


* If payment is not collected within a predetermined (e.g., 120) number of days, the Provider may employ a third-party collections services

Source: Celent

Average Collection Rates Suffer From The Law Of Diminishing Returns

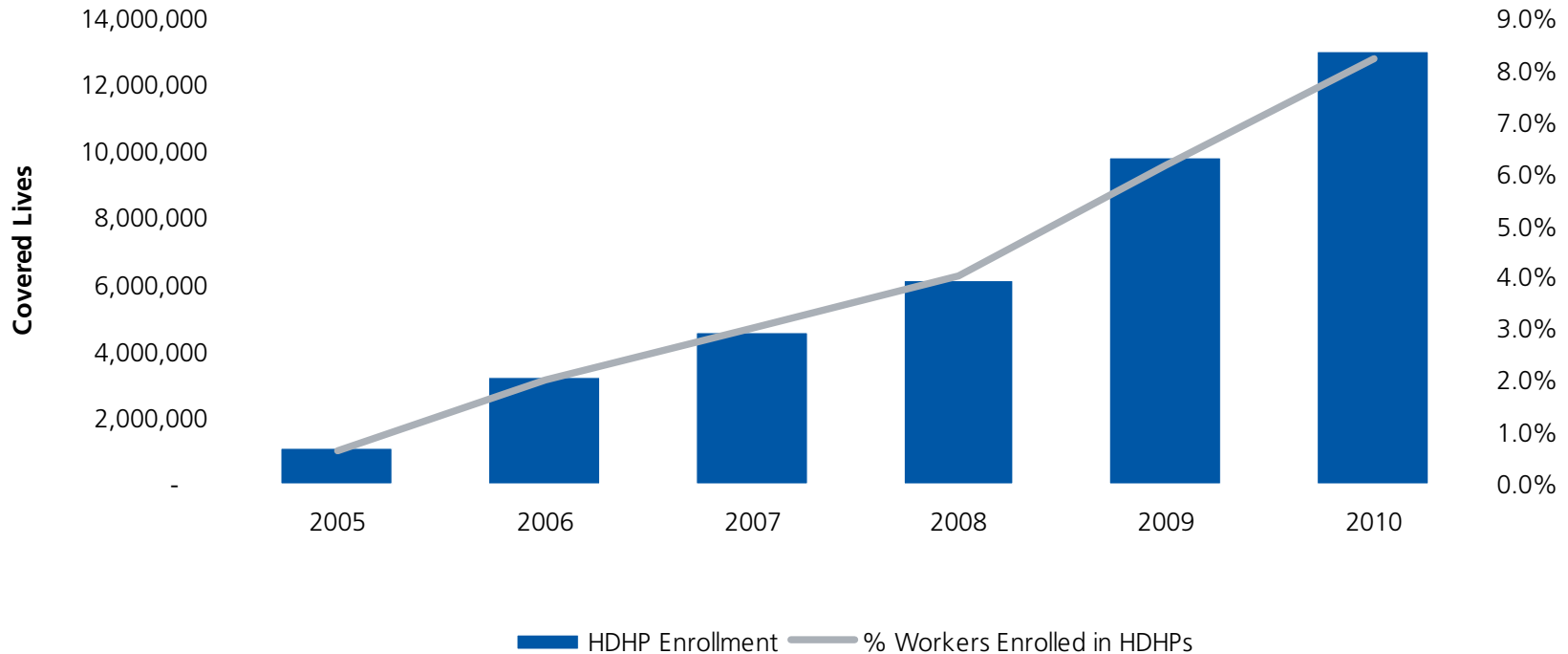
- Industry interviews indicate that when provider bills are paid, settlement takes place after 90+ days.



Source: MGMA, Celent

High Deductible Health Plan (HDHP) Growth Will Add Fuel To The Fire

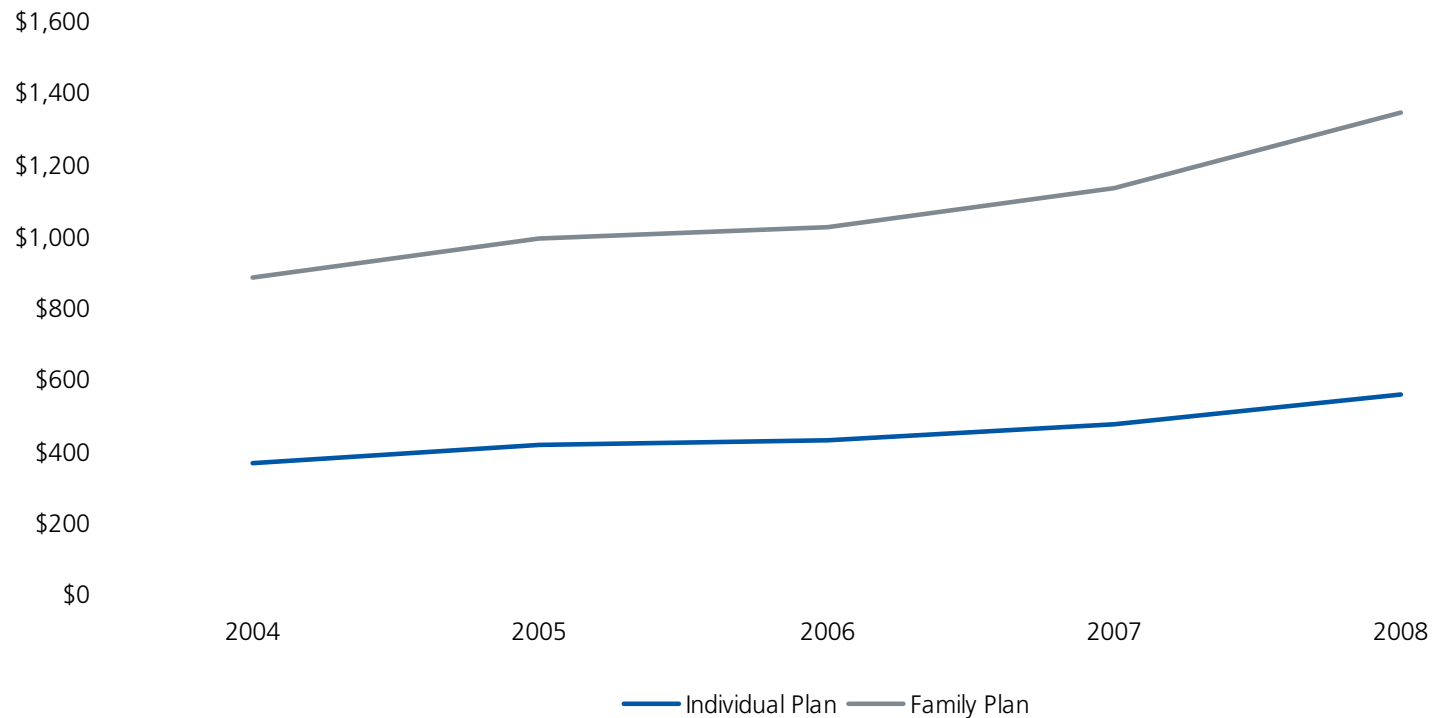
- HDHPs inherently contain higher patient responsibility amounts (i.e., deductibles) and will thus create a greater need for improved patient collections.



Source: AHIP, Kaiser Family Foundation, Celent

Traditional PPO Plans Will Too

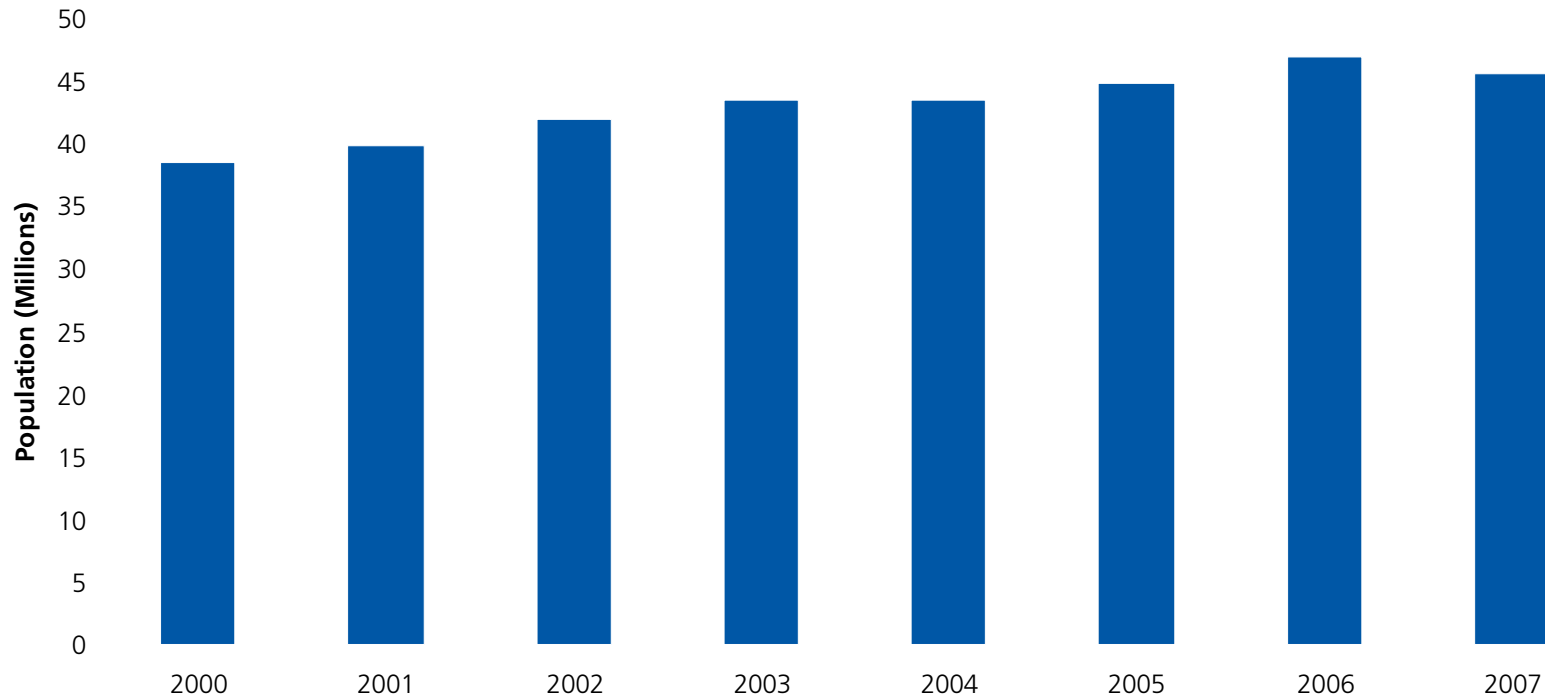
- However, higher deductibles are not the sole domain of HDHPs
- This is an indication that even if healthcare reform does not allow for HDHPs, deductibles will still continue to be an issue



Source: Mercer, Kaiser Family Foundation

At 100% Self-Pay, The Uninsured Population Poses A Major RCM Challenge

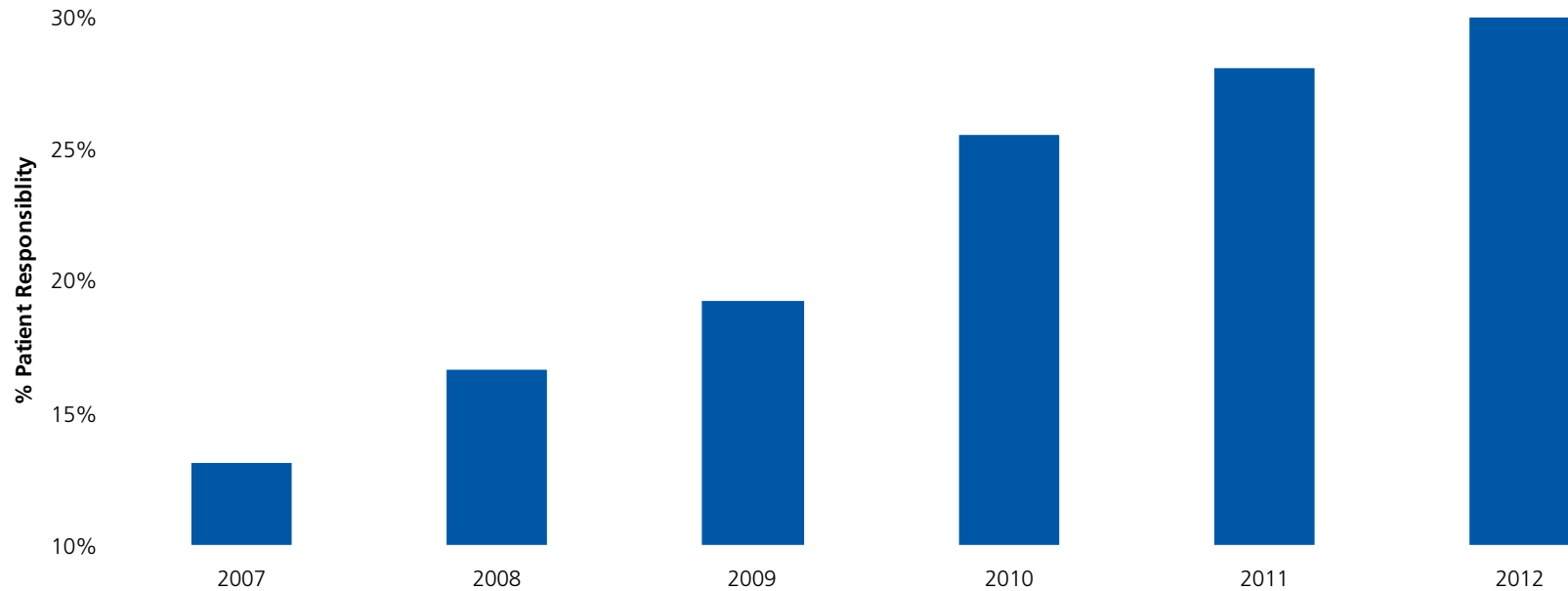
- The uninsured population is considerable, and barring any healthcare reform, will continue to be a driver of patient collections efforts, aged receivables and bad debt



Source: US Census Bureau

The Result – Hospitals Will Be Exposed To Increasingly Higher Self-Pay Ratios

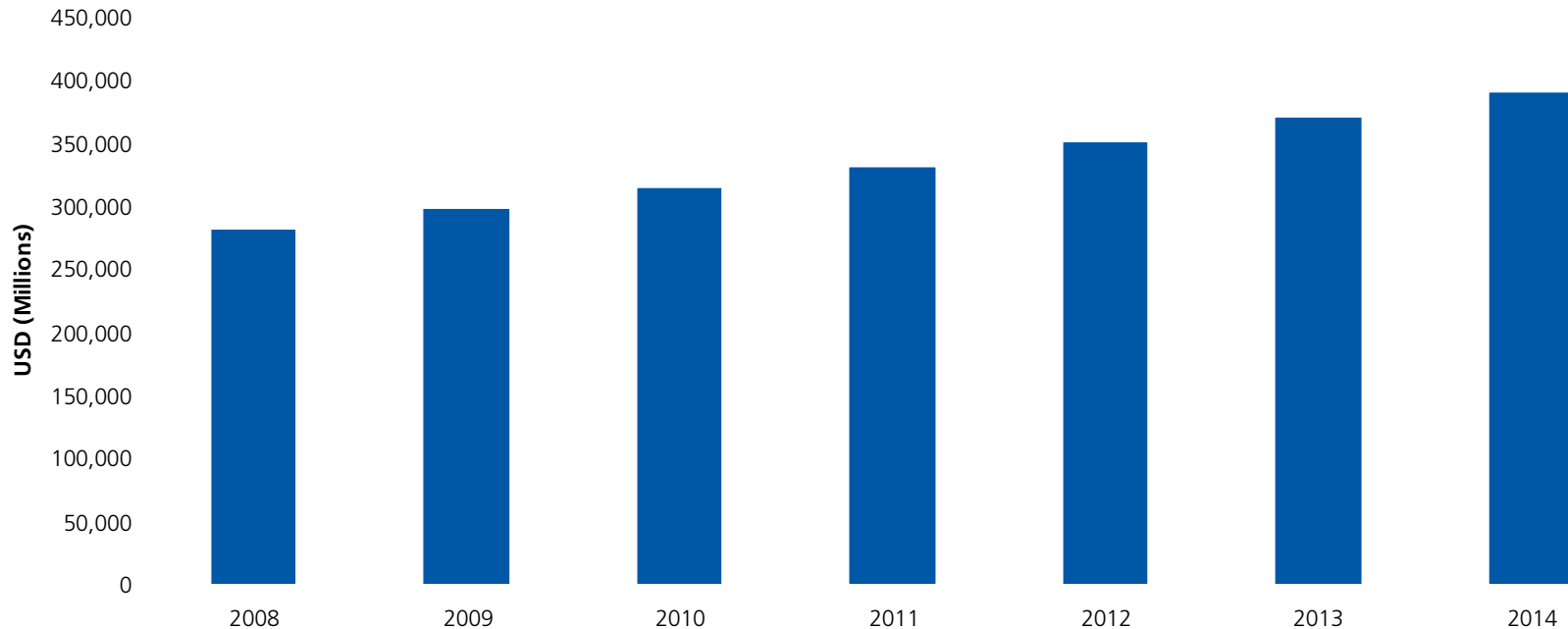
- Hospitals face an especially urgent need to improve collections, as the amount of patient self-pay is rising at an extremely rapid rate



Source: Celent, Effective Solutions, athenahealth, CMS

There Is No End In Sight – OOP/Self-Pay Projections Only Go Higher

- As a result of higher deductibles, by 2014 the average healthcare provider location will have to collect \$317,000 (excluding pharmacy, dentistry, nursing home expenditures)



Source: CMS (Center for Medicare and Medicaid Services)



What Does This All Mean?

The Provider community is going to have to get a whole lot better at collecting patient responsibility amounts.

Already Here Today – Patient RCM Best Practices

- **Enhanced eligibility verification:** for all patients, some at point of pre-registration
- **Cost estimation:** “best guess” at final cost, relaying to patient
- **Patient early “warning”:** notify patient of impending bill once self-pay amount is known
- **Increased staff training:** to present various payment/financing options – installment payments, charity care, public assistance, etc.
- **Refusal to provide non-urgent care:** a more drastic approach, no medical services provided without prior payment



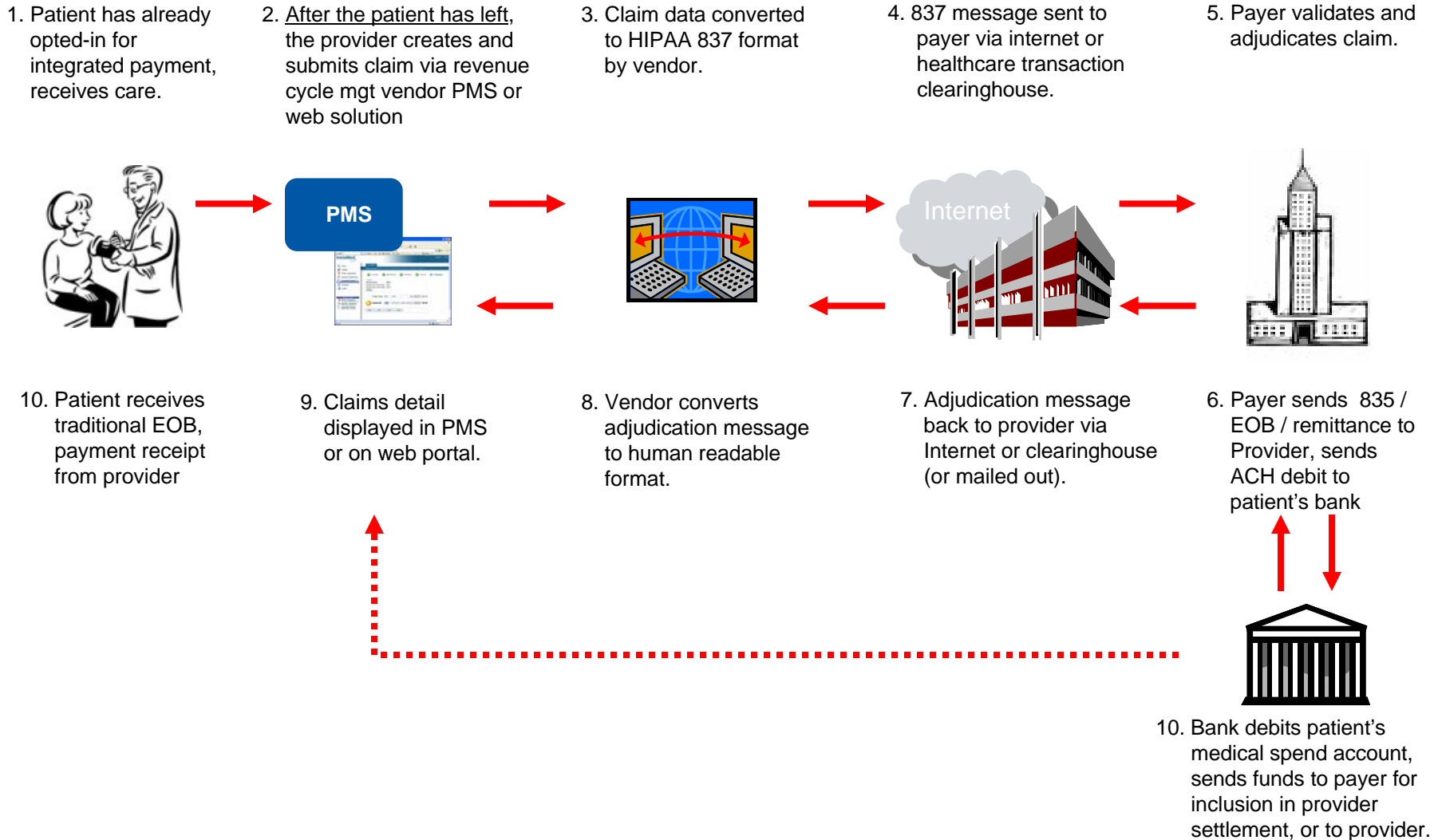
However, more is needed. RCM solutions must be to collect payment or gain payment commitment as early in the RCM process as possible (i.e., no later than when patient is at the medical facility), while integrating with providers’ incumbent technologies

Also Here Today – On-Line Bill Pay

- **Similar to “regular” on-line bill pay:** accessible via bank web site, HSA custodian/administrator web site or provider’s web site. Electronic (ACH) or paper check payment sent to provider.
- **Ideal for current RCM time cycles:** patient payments post-medical encounter, after receipt of the EOB. Displaces the need for a check, envelope and stamp. Suitable for patients that are loathe to enter card data on a provider remittance stub. Recurring payments are also often enabled.
- **Limited reconciliation support:** free text fields are available for account and invoice numbers, but data entered at the patient’s discretion
- **Not a comprehensive solution:** in general, on-line bill pay is used by 40% of the population – limited upside adoption.
- **Cannibalistic, but acceptable:** can be a substitute for cards (which generate interchange revenue), but banks hope that paper checks will be the most likely replaced.



Here Today, But Relatively Uncommon – Integrated Payments



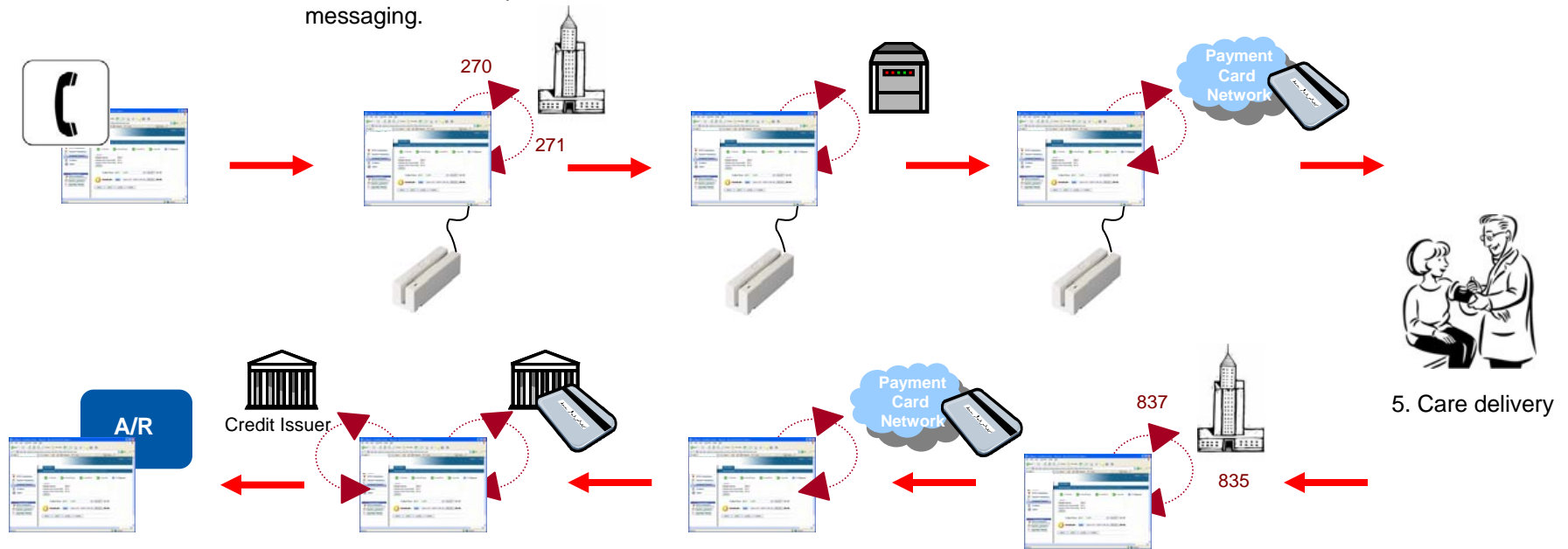
The Near-Term “Retailish” Solution – “Right-Time” Adjudication

1. Patient makes medical appt. via phone, internet.

2. Provider office uses patient RCM solution to connect with Payer for real-time eligibility check (card swipe may be used). RCM solution translates to/from HIPAA-compliant messaging.

3. Provider also uses RCM solution to connect with cost estimator database to generate patient cost estimate.

4. Provider uses RCM solution to create a cost estimate and maximum. Patient's payment card is swiped, pre-auth is completed and payment data kept on file.



9. Patient RCM solution matches payment with patient for automated posting to A/R system.



8. If patient does not have sufficient funds, RCM solution is used to automate e-invoicing & e-payment arrangements, apply for third-party credit or structure/auto-collect installment payments (via card, e-payment)

7. If patient responsibility is below cost max. (see step 4), payment card is automatically charged. If above cost max, reversion to traditional billing process.

6. Along traditional timelines, (3 – 26 days post-medical encounter), the provider -payer claims submission, claims processing and EOB generation takes place.

Source: Celent

Although “Right-Time” Adjudication Sounds Radical, There Is A Precedent

Pre-Authorized Healthcare Form  

I authorize _____ to keep my
(name of healthcare provider)

signature on file and to charge my MasterCard® or Visa account as indicated below:

Check One: MasterCard Visa

Select one of the following payment options:

1. Balance of charges not paid by Insurance within 90 days and not to exceed
\$ _____ for (Indicate one): this visit only. all visits this year.

2. Recurring charges (on-going treatments) of \$ _____ every _____
(frequency)
from _____ to _____.
(date) (date)

I assign my insurance benefits to the provider listed above. I understand that this form is valid for one year unless I cancel this authorization through written notice to the healthcare provider.

Patient Name

Cardholder Name

Cardholder Billing Address

City State Zip

Account Number Exp Date

Cardholder Signature Date

Patient Copy

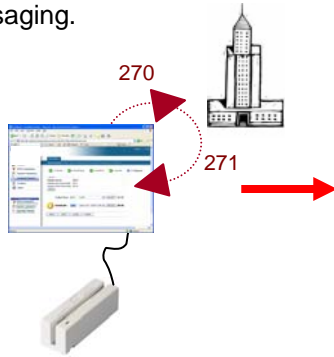
Source: MasterCard

Likely A Generation Away – Fully-Retail, Real-Time Adjudication (RTA)

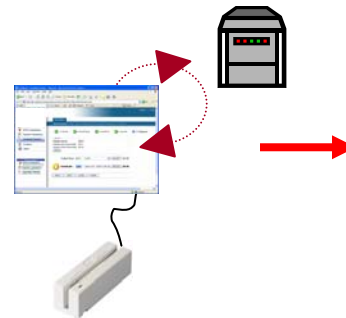
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2. Provider office uses patient RCM solution to connect with Payer for real-time eligibility check (card swipe may be used). RCM solution translates to/from HIPAA-compliant messaging.



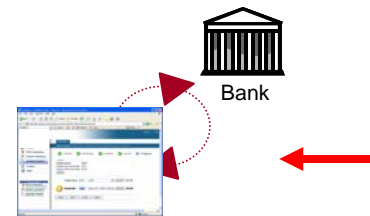
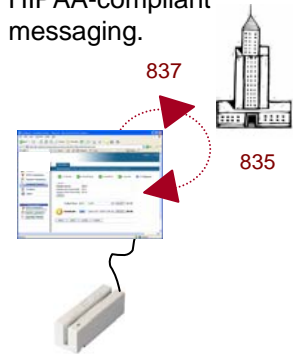
3. Provider also uses RCM solution to connect with cost estimator database to generate patient cost estimate.



4. Care delivery



5. While patient is still at medical facility, provider completes medical coding, uses patient RCM solution to connect with Payer for RTA. RCM solution translates to/from HIPAA-compliant messaging.



9. Patient RCM solution matches payment with patient for automated posting to A/R system.

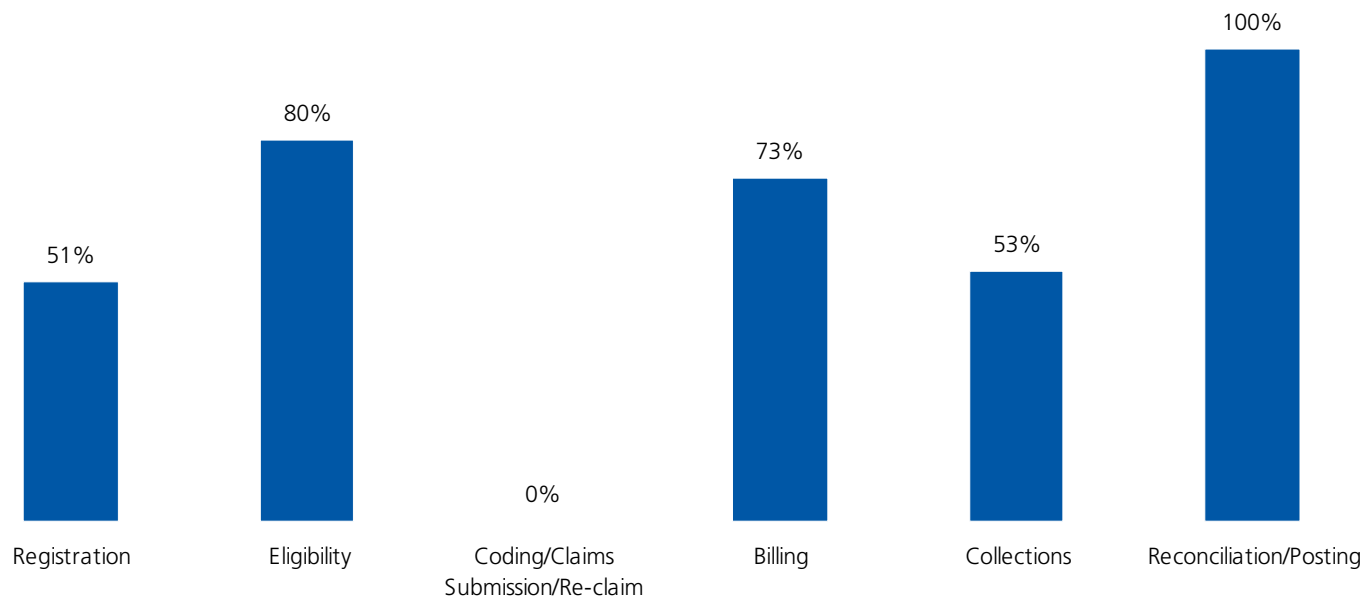
8. If patient does not have sufficient funds, RCM solution is used to apply for third-party credit or structure/auto-collect installment payments (via card, e-payment)

7. If payment not collected at point-of-care, patient RCM solution is used to automate e-invoicing & e-payment arrangements.

6. Patient responsibility generated by RTA step. If multi-function card is used, payment is real-time. Otherwise, payment collected at point-of-care.

Source: Celent

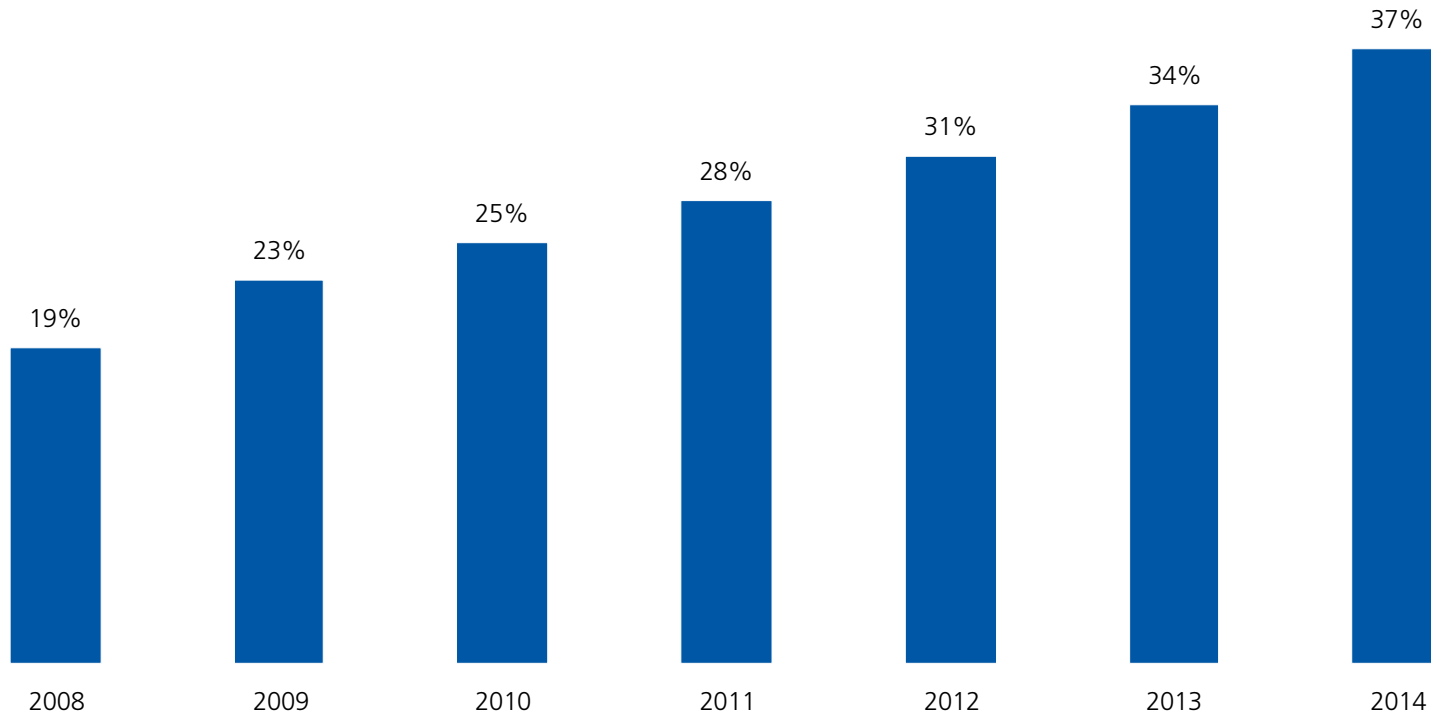
Potential Patient RCM Cost Savings With RTA



Source: Celent

RCM Solution Adoption (% of Provider Locations)

- By 2014, 37% of healthcare provider locations will have patient RCM solutions in place with the latent capability of either “right time” adjudication or RTA



Source: Celent

“Right Time” and RTA Key Player Sampling

Company	Real Time Eligibility and Cost Estimation	Real Time Adjudication	Account on File	Healthcare Financing, Installment Payments	E-billing, payment	Auto Patient Messaging	Auto Reconciliation & Posting
A-Claim	●	●	●	●	○	○	●
athenahealth	●	NR	NR	NR	NR	NR	NR
Availity	●	●	○	●	●	○	●
Emdeon	●	●	NR	●	●	●	●
Instamed	●	●	●	●	●	●	●
JPMC	○	○	●	●	●	○	◐
MedAssets	●	○	○	○	○	○	○
Metavante	●	●	●	●	●	●	●
nTelagent	●	○	○	●	◐	○	●
RelayHealth	●	●	◐	●	●	○	●

Source: Celent

Key: ● = Live with customers, ◐ = Developed but in pilot/not fully rolled out, ○ = Not offered, NR = No response

Opportunities for Financial Institutions (FIs) and Technology Vendors

- Channel partnerships to wholesale RCM solutions and cross-sell FI products to providers
- Provider portals with EBPP (electronic bill presentment and payment) functionality, links to claims data, PHRs – for reconciliation enhancement over existing on-line bill pay
- Development of enhanced patient ERAs (electronic remittance advices) – capture of paper check data and conversion into HIPAA-compliant 835 (ERA) format
- Provider financing, based on greater visibility of receivables flow
- Card acquiring integration – for “one swipe” technology and support of automated reconciliation & accounts receivable posting
- Multi-function (“one swipe”) card development



Thank You

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