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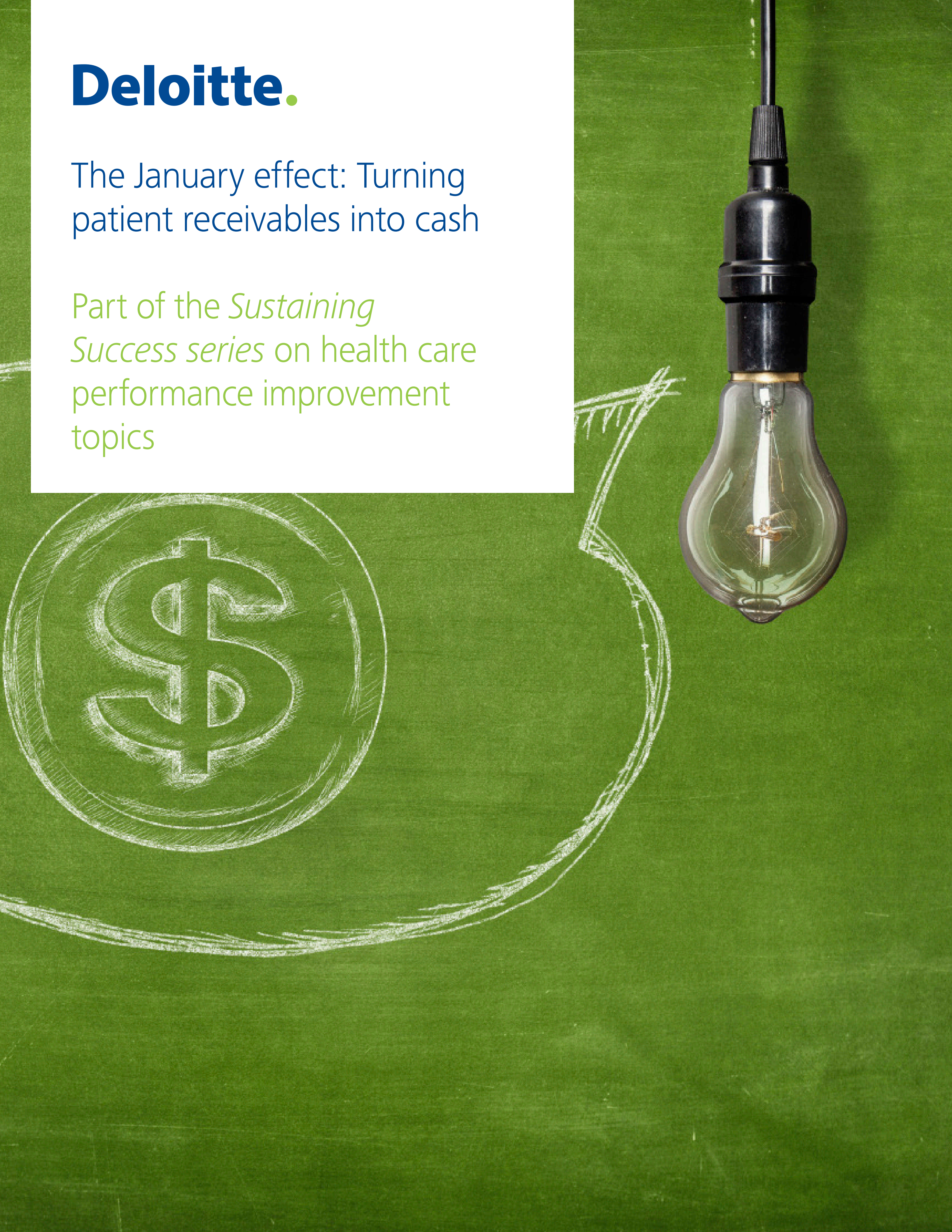
The January effect: Turning patient receivables into cash

Part of the *Sustaining Success series* on health care performance improvement topics



This article is the first of two insights about how rising patient payment obligations affect hospital bad debt and what informed providers are doing to reduce its growth.

Today's health insurance plans include larger deductibles, higher co-insurance rates and co-pays, which only emphasizes the need to collect these payments. With more financial responsibility on the patient, what are the most effective ways to timely collect those out-of-pocket payments? What are the current impacts of high deductible plans on cash collections? How do providers utilize data analytics to implement innovative solutions? Part one of this these insights explores the adverse shift in patient cash collections at the beginning of the year when changes to benefits or rates to health insurance plans are made and front-end tactics to help minimize the impact.

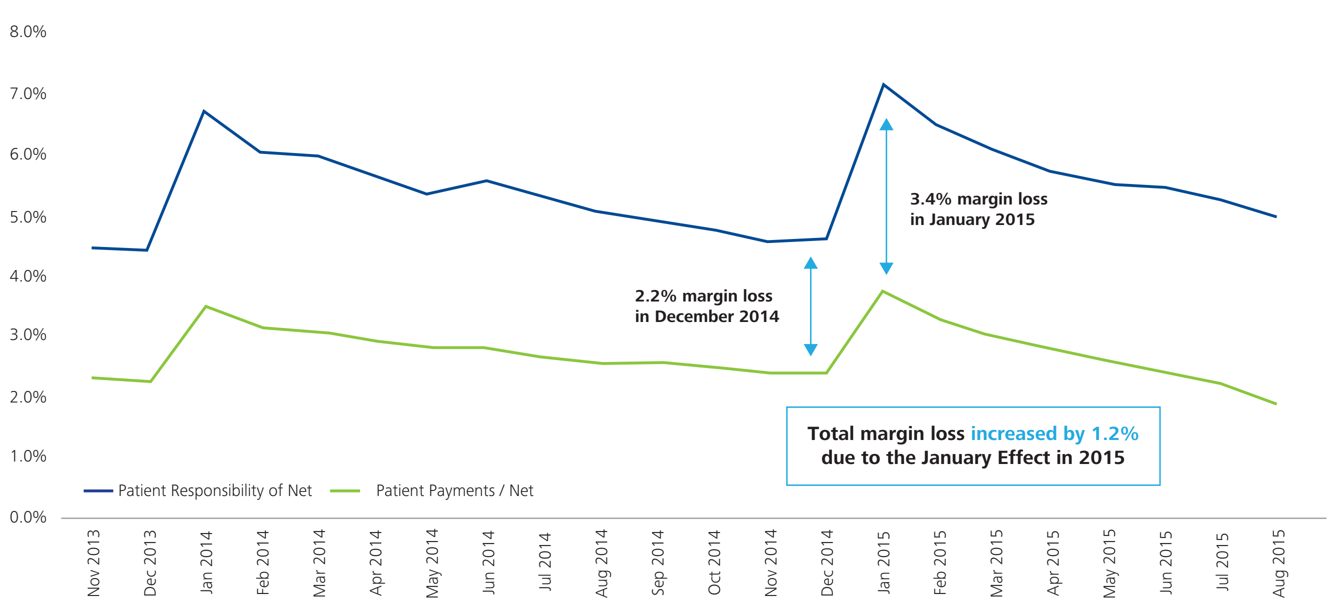
Insights and analytics

Patient payment data from November 2013 through August 2015 was mapped by dates of service and aggregated across five large health systems to track the impact of the growing financial burden for commercially insured patients on provider revenue. While it is well established that each January there is an upswing in patient responsibility, the size and impact may be surprising.

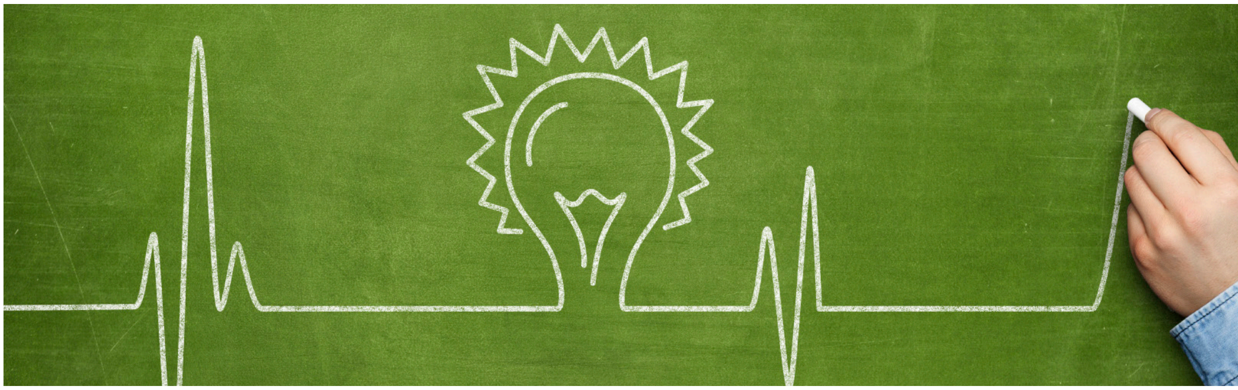
The analytics show that:

- Annually, patient responsibility after insurance significantly increased each January. For instance in January 2015, 7.2 percent of total new revenue was patient responsibility after insurance compared to 4.6 percent in December 2014.
- Providers were only able to collect about 39 percent of this increase from these insured patients. The remainder was eventually written off.
- The latest financial outcome was a 1.2 percent reduction of net margin in January 2015.

The January effect: Patient Collection vs. Total Expected Reimbursement



Source: Aggregated data for patients with commercial health insurance collected across five health systems from Revenue Intellect™, ConvergeHEALTH by Deloitte's revenue cycle analytics application



Key considerations

With analytics, organizations can translate data insights like the ones above into concrete patient payment optimization initiatives. Tactics and key considerations for executives to improve collections from the start of the revenue cycle – thus reducing the cost to collect and bad debt exposure – include:

- How are patients made aware of the costs, what they are responsible for, and how they can pay before receiving services?
- Are there flexed and varied staffing in the areas of pre-service, point-of-service and financial counseling to handle the volume increase?
- Are creative payment options available for patients along with convenient opportunities to pay before, during or promptly after service?
  - Co-branded credit cards offered for non-emergent/urgent situations
  - Prepayment and prompt payment discounts
- Are dynamic, predictive algorithms in place to determine the propensity to pay?
  - Route accounts hierarchically to resources based upon skills and collectability
  - Align the anticipated resource cost spent on collection compared to expected value of the dollars collected

Are collection efforts aligned with patient engagement strategies?

The bottom line

As high deductible insurance plans continue to gain in popularity, collecting patient liability up front is key to caring for patients while maintaining healthy financial statements throughout the year.

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