



Surviving in Tough Times

Needed: Patient-Centric Revenue Model

BY JUNE YEE FELIX

No one has to tell medical group executives that it's a tough time to turn a profit while providing great patient care. The healthcare industry is changing dramatically as costs increasingly fall on patients' shoulders. Patient healthcare payments will soon exceed \$1 trillion annually and continue to rise significantly in a complex payment system. This trend is expected to accelerate with implementation of the Affordable Care Act of 2010's (ACA's) insurance expansion provisions. Citi projects bad debt to reach \$200 billion by 2019, based on its analysis of 2011 U.S. Department of Health and Human Services (HHS) Medicare and Medicaid statistics.

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Additionally, effort and lost revenue are currently locked up in patient collections, and the current system is creating patient frustration that leads to serious patient satisfaction challenges in an increasingly consumer-directed healthcare environment.

To survive and thrive in a more consumer-driven healthcare world, physicians need a patient-centric revenue model that encourages collections, manages costs, and builds patient satisfaction. And they need all these benefits without additional investments in technology or increased complexity in managing patient privacy.

According to Robert Shaffer, M.D., "Our healthcare industry is facing unprecedented challenges. There is a paradigm shift underway that is changing medical care from reactive to preventative." Dr. Shaffer is a member of the Healthcare Information and Management Systems Society (HIMSS) Medical Banking Committee and the Elite Health Medical Group. "Digitization, centralization and remote accessibility of clinical and financial patient information unleashes unprecedented potential for coordination of care and patient involvement. Healthcare consumers and their corporate employers are demanding better, lower cost, evidence-based care. Front line providers need help to bridge the gap between ever increasing operational expenses and decreasing profit margins. The time is right for industry leadership and innovation focused on using existing technologies to help both the healthcare consumer and the healthcare provider," Dr. Shaffer says.

Seven Steps Ahead

For more than 50 years, the nonprofit HIMSS has focused on global leadership for the optimal use of information technology (IT) and management systems for the betterment of health care. Several years ago, the group formed HIMSS G7, a World Bank-endorsed, cross-organizational assembly of industry leaders focused on driving positive transformation in health care.

The G7 recently turned its sights on patient payments. In its latest advisory report, "Improving Consumer Payment Experience," the group concluded what

many medical group leaders already knew: patients are frustrated; estimation methods for point-of-service (POS) payments are inaccurate and poorly executed; coordination between payers and providers is not where it needs to be; current payment methods are disparate and inconsistent.

Based on its review of patient, provider, and payer needs, the G7 report made seven recommendations for the industry:

1. Create a value proposition index for services
2. Establish scorecards for payment plans and providers
3. Implement patient financial experience scoring that takes into consideration the lifetime value of each patient and all experience touch points
4. Develop IT infrastructure for robust revenue cycle management
5. Structure a full complement of services necessary in a patient-friendly billing environment
6. Integrate with evolving payment methods for consumers
7. Improve payment reconciliation under risk-based or episodic structures

“These recommendations are designed as thought starters and hopefully a road map for forward thinking providers,” says Lincoln Fish, senior vice president, Avadyne Health, HIMSS G7 advisory member, and Chair of the HIMSS Revenue Cycle Taskforce. “But we understand many medical groups don’t have the staff or resources to process through these recommendations while managing their day-to-day business. The next steps of our action platform involve driving meaningful, industry-wide collaboration and case sharing as tools for program advancement.”

Snapshots of Confused Patients

Today’s patient payment experience involves “shoe box” manual reconciliation of explanations of benefits (EOBs) and invoices that may be out of date on receipt based on insurer payments. The confusion patients experience leads to time-consuming phone calls and delays in sending payments.

In addition, findings from consumer research conducted this year by Mad*Pow, a research-inspired design firm and Aetna user-experience development partner, revealed that 73 percent of people younger than 66 want to pay their healthcare bills online, but only 10 percent do so today. The complexity of matching insurance company EOBs to medical bills from their

providers is cumbersome, but 71 percent of people surveyed took the time to go through this process, which results in delayed payments to providers.

Research from McKinsey & Company, a global management consulting firm, reveals that 19 percent of patients delay payments because of limited payment options available, and 17 percent delay payments due to discrepancies between billing statements from providers and EOBs from insurance companies.

“Paying healthcare bills is often confusing and time consuming,” says Citi Enterprise Payments CEO Paul Galant. “The disjointed and inconsistent array of payment options available today leads to delayed or missed payments and higher costs for patients, providers, and insurers.”

While the industry has generated a lot of buzz around POS patient responsibility estimators and efforts to increase up-front collections, actual deployments of these solutions often create inconsistencies and inaccuracies. Citi physician focus groups indicate that patient adoption is low due to lack of confidence in estimates and the challenge of real-time coding required on the provider side, particularly in in-patient or complex service settings. Even in a best-case scenario, estimation is only a partial solution.

Solving a \$200 Billion Problem

There’s nothing like billions of dollars on the line to bring diverse stakeholders together. As a starting point, the HIMSS G7 report suggests that “all technologies and services must be evaluated against a background of improving the patient experience.”

Focusing on the patient is a great way to start, but to ensure industry-wide acceptance, adoption, and positive results, the ideal solution must also provide value to the entire complex ecosystem while being cost-effective and easy to implement alongside a multitude of existing technologies.

“The challenges in the healthcare payment space continue to be pervasive, defining the need for a solution that connects patients, payers, and providers in a comprehensive way that would alleviate many of the unnecessary burdens and costs that exist today,” says HIMSS Senior Vice President John Casillas. “It is good news for our industry that major organizations are coming together to create the next generation platform that more tightly integrates cross-stakeholder technologies in banking and health care.”

On the Immediate Horizon

Many people are looking to apply technology to this growing problem of patient payments. Some

hospitals have invested in sophisticated portals to help patients pay online. Other companies with expertise in card technologies are coming up with prepaid card solutions that enable consumers to pay for selected services with key merchants more conveniently. Technology companies have developed ways for consumers to see all their expenses in one place and have left back-office processing of payments for providers to sort out.

While these efforts provide focused improvements for single elements of the system, the challenge begs for a big picture solution that brings together a meaningful cross section of key industry participants and focuses on enabling patients to understand, have confidence in, and pay their medical bills efficiently.

Citi recently unveiled one potential solution with Aetna as its charter healthcare plan. Citi is currently building out a network of insurance companies and healthcare providers for a new mobile and online patient payment solution called Money2 for Health. The platform enables patients to go online or use their mobile devices to reconcile their healthcare bills, receive alerts when claims are ready to be viewed, pay amounts due, and view past payments—all in one digital location. This solution also makes it easy for providers to receive and post payments from Citi.

“To effectively compete in a retail environment, you need to meet consumers where they are, which means 24/7 access and easy to use, intuitive services,” said Erin Hatzikostas, head of strategy and business development, Aetna Consumer Financial Solutions. “Consumers want all their healthcare information in one place and they want to be able to access that information anytime, from any device. They want bills that make sense and options for how and when they pay. Physicians who can offer that experience will definitely have an advantage retaining newly empowered consumers in a world of increased choice.”

ACA Implications

As a result of the 2012 presidential election, the ACA provisions for health insurance exchanges (HIX) will be online across the country, and employers are seriously considering how they will use exchanges to manage costs. Some large employers, including Sears, have already decided to use the HIX system, and many industry watchers believe that a large number of employers will start shifting their employees to the health insurance market. Employers will provide a lump sum of healthcare funds and ask their employees to purchase insurance, and the employees will shoulder the expense from that point forward.

Industry experts expect that consumers will generally be purchasing “silver” level plans on these exchanges. These policies carry a much lower actuarial value of 70 percent versus 80–85 percent, which is typical of employee-sponsored plans. Consumers will be responsible for paying more of each dollar spent on their healthcare out-of-pocket expenses—somewhere around 30 cents per dollar rather than the current levels of 10–15 cents per dollar. This means that revenue cycle departments will have to double their collection efforts just to stay even. And that’s not factoring in write-offs, which can run as high as 50 cents per dollar for employed insured consumers today. The potential of 160 million currently employed and insured workers shifting to an exchange will have enormous financial implications for providers.

As physicians grapple with the patient payment experience, industry leaders recommend a constant focus on patient needs and an open mind. HIMSS G7 admits as with any trial, some errors may occur but urges the industry to take the first steps. The good news is solutions are coming online that promise to save physicians money, increase collections success, and create a better patient experience. And as with any collaborative ecosystem, costs go down for all stakeholders as more participants join the system, creating an even greater incentive for industry-wide cooperation to drive down costs, increase collections, and strengthen patient satisfaction.

Therefore, we believe that waiting is not an option. The tsunami of change requires us to start today with consumer-centric solutions that help your patients understand and manage their healthcare payments using new technology tools and services that are available.

June Yee Felix is managing director, global healthcare at Citi Enterprise Payments. This article is based on material covered in a recent presentation at the Summit for Healthcare Information and Financial Technology where Ms. Felix co-presented with Lincoln Fish, senior vice president, Avadyne Health, HIMSS G7 advisory member, and chair of the HIMSS Revenue Cycle Taskforce; Erin Hatzikostas, head of strategy and business development, Aetna Consumer Financial Solutions; and Eric Ward, president and CEO, Parallon Business Solutions (HCA).