

Best Practices for a Connected Healthcare Payment Experience

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As patient payments continue to increase in the coming years, learn the steps healthcare companies and merchants can take to increase patient satisfaction and loyalty while also improving the bill collection process.

The healthcare consumer payment experience is evolving quickly. Patient payments totaled \$423.8 billion in 2016 and are expected to reach \$515 billion by 2019.¹ With a 29.4 percent increase in expenses over the past two years, the typical customer in 2017 is responsible for an average of \$1,820 in deductible payments and \$4,000 in out-of-pocket (OOP) expenses.²

To keep up with these changes, the drive to deliver an omnichannel experience remains strong, as evidenced by the ever-growing number of technology stakeholders in the healthcare market space. However, the results are not in sync with the technology investments. In a recent survey by OCR International, more than half of consumers surveyed saw no improvement in billing and cost transparency.³ While there are many challenges to overcome, the biggest hurdle continues to be the complexity of offering an integrated and real-time experience that meets the cost expectations of the provider and the usability expectations of the customer.

Customer balances represent about 30 percent of the bill and are expected to grow, which means the amount and speed of bill collections is now critical.⁴ A holistic and unified experience across the customer's healthcare journey is no longer a nice-to-have but a need-to-have. From appointment scheduling to discharge, healthcare providers need to focus on continually engaging patients, building trust and paving a path toward payment.

As the retail market continues to deliver a more connected commerce solution to its



customers, the healthcare industry is looking to do the same. While there are no silver bullets, there are some best practices healthcare merchants can follow to help increase their patient payment collections.

START THINKING OF PATIENTS AS CUSTOMERS

Consumers need personalized data to embrace a decision-making role. Looking to the retail sector as an example, customers would be reluctant to complete car repairs unless they knew what was needed and how much it was going to cost.

However, in healthcare, customers are being asked to do just that: make financial decisions without cost data. Providers, as merchants, need to build financial trust with their customers. The first step is to provide access to real-time cost information and continual education around payment options. Only then will customers feel empowered to take ownership of their balances and how they pay them. Building trust and common understanding will help drive loyalty and higher customer satisfaction rates.

A joint study between the Healthcare Financial Management Association and Parallon found a correlation between greater financial counseling and lower bad debt.⁵

In a recent Black Book study, a majority of patients (71 percent) indicated that mobile pay and billing alerts improved their satisfaction with a provider. In fact, the top three in-demand patient payment features were:

1. *Managing consumer expectations through eligibility verifications (92 percent)*
2. *More convenient payment mechanisms (87 percent)*
3. *Cost estimation (85 percent)⁶*

EMBRACE THE MERCHANT ROLE

Historically, providers have chiefly considered themselves clinicians, not merchants. However, like merchants, providers are in the business of acquiring and retaining customers—and those customers have a choice in where they receive care.

For providers, embracing the merchant role means offering consumers access to financial information like cost and price transparency; real-time out-of-pocket balances and plan data; and a wide range of payment options, such as payment plans, online or mobile payments, and

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prequalifying assistance for Medicaid or charity programs. The more payment options available, the more likely patients are to pay. Additionally, and perhaps more importantly, these services and options need to be available to customers early in their healthcare journey, such as at pre-service or checkout time, to reap the maximum benefit.

Hospital operating margins average between 4 percent and 7 percent, and nearly one-third of hospitals have a negative operating margin.⁶ Coupled with this is the reality that 64 percent of patients will leave their hospital balances unpaid after six months.¹

Collections depend on timing. Patients typically receive an average of more than three billing statements before paying an outstanding expense and 30 percent of patients leave their healthcare provider without paying anything.¹ Conversely, 62 percent of patient payments were paid online in the first half of 2017 and 95 percent of patients would pay online given the opportunity.²

INVEST IN TECHNOLOGY

It is critical to focus on integrating back-office systems and processes. When card acceptance, check and cash payments, and posting and reconciliation processes are completely separate from one another, the result is an unsatisfying experience for customer and provider alike. Integrating payment accounting systems, gateways, lockbox, insurance reimbursements and other payment information enables a single point of entry with holistic view capabilities.

In the Black Book study, a majority of healthcare providers (82 percent) and hospitals (92 percent) report that traditional customer collection solutions are negatively impacting their profit margins and that they are getting rid of manual back-end processes and bill reconciliation by the end of 2018.⁶

USE DATA TO ENGAGE CONSUMERS

An engaged consumer is a connected consumer. Data tools support this premise by not only enabling providers to assess their cost to collect data, but also to better understand customer behavior, motivations, expectations and purchasing factors. For example, data can reveal when and where payments are made, payment type (cash, check or card), payment vehicle used (mobile, terminal or kiosk) and propensity to pay trends. Coupled with benchmarking metrics, providers can see how they compare with peers and competitors. Armed with this information, providers have the opportunity to offer personalized communication, payment incentives and payment options at the right time, in the right place and in the right medium.

Financial transaction data offers a rich and distinct source of insight into out-of-pocket healthcare spending. For example, between 2015 and 2016, families with high healthcare spending increased their take-home income by \$3,466 (or 6 percent), as compared to \$1,332 (or 2 percent) among similar families with normal healthcare spending.⁷

The healthcare customer payment experience will continue to evolve as the industry evolves. A more holistic, customer-centered approach is gaining traction and offers much promise in effectively engaging customers and delivering a higher-quality payment experience. Providers must ensure they are partnering with the right payment vendors to create win-win results for themselves and their customer base.

ABOUT THE AUTHOR



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¹ Aite Group mentioned in "A new patient engagement model for payment collection" article published by [Becker Hospital Review](#), October 16, 2017

² "12 trends in patient responsibility payments, up 29.4% since 2015," [Black Book 2017 Revenue Cycle Management Survey](#) Finds, published by Becker ASC

³ "The Engagement Gap: Healthcare Consumer Engagement in 2017," A national research study of payer, provider and consumer activities conducted by ORC International and commissioned by [Change Healthcare](#), 2017

⁴ Jonathan Wiik, author of the book, "Healthcare Revolution: The Patient is the New Payer," mentioned in the [Fierce Healthcare](#) article, "Study: 2 in 3 patients don't pay their hospital bills in full," June 26, 2017

⁵ "HFMA Executive Survey: Self Pay and the Benefits of Prospective Patient Engagement," sponsored by Parallon and published by the [HFMA organization](#), 2016

⁶ Healthcare Sector Industry Review, Dun and Bradstreet and Chase, July 17, 2017

⁷ "Paying Out-of-Pocket: The Healthcare Spending of 2 Million US Families," [JPMorgan Chase Institute](#), September 2017