POS Collections:
A case study in delivering effective pre-service cost estimates for effective patient financial engagement and healthier bottom lines

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Jonathan Wiik – TransUnion Healthcare

January 15, 2018
Today’s Agenda:

1. Recognize health care industry trends and market forces

2. Create a patient experience for the clinical AND financial components of healthcare

3. Explore case study from Banner health and other top performing organizations for POS Collections

4. Contrast the pitfalls and barriers to implementing a new program at your organization

5. Q & A
POS COLLECTIONS

NON SEQUITUR

MAYBE IF YOU TRIED ANOTHER CARD...

THE H.M.O. SURGICAL PROCEDURE

WILEY

TO OPEN OPERATING ROOM DOORS, SWIPE CREDIT CARD HERE.

1. SELECT TYPE OF SURGERY.

2. HIT ENTER FOR CREDIT APPROVAL.
Market Trends
If food costs increased at the same rate as healthcare costs...

Source: NHE 1945:2011
Patient Access

Eight C’s that will define healthcare in 2018…

COST  CAPITAL  CONSOLIDATION  CONSUMERISM
COMPETITION  COMPLIANCE  CULTURE  CERTAINTY

▪ **Costs** – Patients are the new payer, representing 30% of a healthcare bill…and they can’t (or won’t) pay you quickly.

▪ **Consumerism** – 80 million are Millennials under the age of 35, out of pocket costs for healthcare are growing faster than their food, transportation and housing and the majority have no money set aside in the event it’s needed for an unexpected healthcare event.

“Consumers are voters, users and purchasers; they’re not satisfied with the health system. They want care and coverage that’s understandable, convenient, affordable and necessary. And they have the tools to compare between organizations that promise and those that deliver…”

SOURCES: [http://www.paulkeckley.com](http://www.paulkeckley.com), and TransUnion
Medicaid – growth over last several years, Uninsured declined (percentages represent % of U.S. population)

Source: Commonwealth Fund. [Link](http://www.commonwealthfund.org/publications/blog/2017/mar/-/link.aspx?_id=ACBDD468952747D9A38A47C6161F0629&_z=z)
Deductibles are outpacing inflation and wages

63% increase in Deductibles since 2011; outpacing Inflation (6%) and Earnings (11%)

Average deductible quadrupled:

- 2003 = $518
- 2016 = $2069

Percent of workers with deductibles:

- 2003 = 52%
- 2016 = 83%

Source: Source: Kaiser Family Foundation, kff.org
Moody’s…

- "Today's high deductibles are tomorrow's bad debt," says Moody's Steingart.

- Moody’s has identified risk that consumers covered by the most popular insurance plans will be unable or unwilling to meet their out of pocket costs and deductibles.

- Growth in insurance coverage may not exist for many hospitals, particularly for services where the deductible accounts for a substantial share of the negotiated reimbursement.

Source: Moody's: Three risks reduce credit positives of ACA for not-for-profits hospitals.
The patient is the new payer™…

“Very rarely do patients understand deductibles, and co-pays and co-insurance…If we bill an insurer, we would be reimbursed in seven to 10 days. If a patient gets a bill for $600, you’re lucky if you can get paid $25 a month.”

- Ashley Santoro, practice manager for Cardiovascular Disease Specialists of Pittsburgh

Patients are the new payer, and the yield of patient revenue is at significant risk...

<table>
<thead>
<tr>
<th>Year</th>
<th>Payer</th>
<th>Patient</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>NOW</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Patient Revenue Stratification

- Current:
  - Bad Debt: 2%
  - Charity: 3%
  - Patient Payment: 5%

- Near Future:
  - Bad Debt: 9%
  - Charity: 6%
  - Patient Payment: 15%

Medical debt…it’s a real problem

- A recent report issued by the consumer financial protection bureau (CFPB) finds that medical debts account for a majority (52%) of debt collections actions that appear on consumer credit reports.

- An earlier Kaiser family foundation report found that 1 in 3 Americans struggle to pay medical bills, and that 70% who do so are insured.

- Unpaid medical bills are the *highest cause of bankruptcy* filings, above both credit card and mortgage debt.

- Once in debt, people may delay or forego other needed care to avoid incurring further unaffordable medical bills.
Medical debt – contributing factors

“Cost sharing levels under many health plans now exceed the resources that most families have on hand… the Federal Reserve found that only 48 percent of Americans would be able to completely cover a hypothetical emergency expense costing $400 without selling something or borrowing money.”

Source: Medical Debt Among Insured Consumers: The Role of Cost Sharing, Transparency, and Consumer Assistance Jan 08, 2015 | Karen Pollitz
<table>
<thead>
<tr>
<th>Scenario</th>
<th>Average Cost</th>
<th>Relevant Coverage</th>
<th>Patient Responsibility</th>
<th>Amount Underwater: Patient Responsibility minus $400</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Office Visit</td>
<td>$402</td>
<td>$25 copay</td>
<td>$25 copay</td>
<td>$0 underwater</td>
</tr>
<tr>
<td>CT Scan</td>
<td>$828</td>
<td>$1,500 deductible</td>
<td>$828 out of pocket</td>
<td>$428 underwater</td>
</tr>
<tr>
<td>ER Visit</td>
<td>$2,483</td>
<td>$250 copay + 20% coinsurance</td>
<td>$697 out of pocket</td>
<td>$297 underwater</td>
</tr>
<tr>
<td>Birth (Vaginal Delivery)</td>
<td>$9,625</td>
<td>$1,500 deductible + 20% coinsurance</td>
<td>$3,125 out of pocket</td>
<td>$2,725 underwater</td>
</tr>
<tr>
<td>Appendectomy (General Surgery, outpatient)</td>
<td>$13,589</td>
<td>$1,500 deductible + 20% coinsurance</td>
<td>$3,918 out of pocket</td>
<td>$3,518 underwater</td>
</tr>
<tr>
<td>Hip Replacement inpatient stay</td>
<td>$32,994</td>
<td>$1,500 deductible + 20% coinsurance</td>
<td>$7,799 out of pocket</td>
<td>$7,399 underwater</td>
</tr>
</tbody>
</table>

Is healthcare affordable?
TransUnion 2017 Healthcare Report: Patients are not paying their bills, and it’s getting worse.

“Healthcare consumers pay more than twice as slowly as commercial payers.”

“Collection costs are significantly higher when collecting from individual patients than when collecting from payers...as much as three times higher”
Why are patients struggling to pay for healthcare?

**Patient inability to afford medical bills.** One in four Americans have an unpaid healthcare bill, one in five are paying it over time, and one in ten will not pay it at all. Medical bills still represent are the number cause of bankruptcy.

**It’s hard to pay a hospital.** Sixty-two percent of healthcare organizations do not offer electronic credit card payments, 52 percent have no automatic payments and 57 percent only send bills through the mail. Automated billing could ease the revenue cycle by speeding up payment as it is convenient to patients, according to the report.

**Bills are confusing.** A 2016 survey from Poter Research in conjunction with Navicure, found 53 percent of patients needed clarification regarding when their payment was due and 67 percent were unclear if the balance was covered by insurance or an out-of-pocket expense. Adopting a less complicated payment process and being more transparent with patients regarding charges may help patients maneuver the payment process and lead to higher collection rates.

**Lack of price transparency.** According to a 2016 Navicure survey 42 percent of healthcare organizations offer a cost estimate for patients, leaving many patients stunned and angry about their medical bills. Offering a cost estimate prior to care will allow patients to budget medical expenses and lessen cost ambiguity.

52% - of consumers would pay from $200 to $500 or more...if an estimate was provided at the point of care

74% - of insured consumers indicated that they are both able and willing to pay their out-of-pocket medical expenses up to $1,000 per year.. (90% up to $500/yr)

SOURCE: JPM Key trends in healthcare patient payments
Shift in payment:

- Providers must focus collection efforts on both insurance companies and consumers
- Consumers now pay more for healthcare costs than their employer
- Consumers shoulder more of the up front cost to pay for their healthcare

SOURCE: JPM Key trends in healthcare patient payments
The patient experience…
Revenue Protection
Best Practices
A Case Study With Banner Health
<table>
<thead>
<tr>
<th>Banner Health</th>
</tr>
</thead>
</table>
| **Organization** | ▪ Banner Health  
▪ 50,000 employees |
| **Size** | ▪ 28 acute care facilities, from 22 to 744 beds, across 6 states  
▪ Also provides Home health, Hospice, and Behavioral health services  
▪ 2.1 million annual patient visits |
| **Adoption** | ▪ NOV YTD 2017 Bad Debt ~ $289M  
▪ NOV YTD 2017 Charity Care ~ $389M  
▪ Provided an estimate to every patient, every time |
| **Improvements over home grown estimation system** | ▪ Migrated from homegrown excel-based estimation to TU ClearIQ  
▪ TU Loaded complex payer contracts  
▪ Performs professional estimates as well as facility estimates  
▪ Provides enhanced accuracy for estimation  
▪ Estimate letter easy for staff to understand and explain to patients |
Journey of POS

- 2012 – Banner had reported $488M in Bad Debt & $621M in Charity (~25% of NPR)

- Patient “shares” were increasing – trending higher deductible and coinsurance plans

- Once the patient left… our ability to collect was greatly reduced and VERY Costly
2011-2012 AZ Medicaid Conversion Rates Caused a Shift to Self Pay

PERCENTAGE OF PATIENTS APPROVED FOR AZ STATE MEDICAID

Month/Year

Approval Percentages


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Journey of POS 2013-2017

- Establish Targets & Accountability
- Training & Education
- Tools & Resources
- Pre-Registration & Financial Clearance
- New Incentive Plan
Tools & Resources

- Search for Patient Estimator Tool
  - Contract
  - Facility, Professional, Combined Estimates
  - Physician Preference
  - “Add-ons”
  - Accurate
- Selected tool – Go Live August 2014
Targets & Accountability

- **Target – 2% Net Revenue**
- **Stretch Target – 2.25% Net Revenue**

HFMA BEST PRACTICE MAPKEY = 2.5% NPR

<table>
<thead>
<tr>
<th>Year</th>
<th>% of NPR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>1.42%</td>
</tr>
<tr>
<td>2011</td>
<td>1.58%</td>
</tr>
<tr>
<td>2012</td>
<td>2.27%</td>
</tr>
<tr>
<td>2013</td>
<td>2.00%</td>
</tr>
<tr>
<td>2014</td>
<td>2.00%</td>
</tr>
<tr>
<td>2015</td>
<td>2.41%</td>
</tr>
<tr>
<td>2016</td>
<td>2.50%</td>
</tr>
</tbody>
</table>
Training & Education

- Mandatory Annual Patient Access Training
- Clinical Department Education
- SIM Center
Estimate letter was a key component...

![Image of an estimate worksheet]

<table>
<thead>
<tr>
<th>Patient Name:</th>
<th>Patient ZZZTEST3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Date:</td>
<td>12/19/2017</td>
</tr>
<tr>
<td>Account #:</td>
<td></td>
</tr>
<tr>
<td>Patient Type:</td>
<td>1</td>
</tr>
<tr>
<td>Policy Number:</td>
<td>123456789</td>
</tr>
<tr>
<td>Group Number:</td>
<td></td>
</tr>
<tr>
<td>Insurance Company:</td>
<td>AETNA HMO PPO EPO</td>
</tr>
<tr>
<td>Deductible:</td>
<td>$2,500.00</td>
</tr>
<tr>
<td>Deductible Met:</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>Out of Pocket Max:</td>
<td>$5,000.00</td>
</tr>
<tr>
<td>Out of Pocket Met:</td>
<td>$1,500.00</td>
</tr>
<tr>
<td>Co-Pay:</td>
<td>$0.00</td>
</tr>
<tr>
<td>Co-Insurance:</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Total Allowable**

- Total Estimatable Patient Amount: **$901.00**
- Co-Pay: $0.00
- Deductible: $901.00
- Co-Insurance: $0.00
- Totals: $901.00

*Estimate is based on the following codes:*

**Facility Codes (CPT®):**

- 72197: TCMRI PELVIS W/O & W/DYE
- A6585: INJECTION GADOBUTROL 0.1 ML (70.0 ML units)

**ICD / CPT® Codes:**

- none --

*Est ID: 6536500*
Pre-Registration

- POS Opportunity – Scheduled Patients
- Patients want someone to have a financial conversation with them prior to services

Pre-Registration 5 days out

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Percent Complete</th>
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</thead>
<tbody>
<tr>
<td>JAN-15</td>
<td>15%</td>
</tr>
<tr>
<td>FEB-15</td>
<td>15%</td>
</tr>
<tr>
<td>MAR-15</td>
<td>19%</td>
</tr>
<tr>
<td>APR-15</td>
<td>19%</td>
</tr>
<tr>
<td>MAY-15</td>
<td>25%</td>
</tr>
<tr>
<td>JUN-15</td>
<td>33%</td>
</tr>
<tr>
<td>JUL-15</td>
<td>45%</td>
</tr>
<tr>
<td>AUG-15</td>
<td>36%</td>
</tr>
<tr>
<td>SEP-15</td>
<td>75%</td>
</tr>
<tr>
<td>OCT-15</td>
<td>79%</td>
</tr>
<tr>
<td>NOV-15</td>
<td>76%</td>
</tr>
<tr>
<td>DEC-15</td>
<td>78%</td>
</tr>
<tr>
<td>JAN-16</td>
<td>79%</td>
</tr>
<tr>
<td>FEB-16</td>
<td>91%</td>
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<tr>
<td>MAR-16</td>
<td>94%</td>
</tr>
<tr>
<td>APR-16</td>
<td>94%</td>
</tr>
<tr>
<td>MAY-16</td>
<td>94%</td>
</tr>
<tr>
<td>JUN-16</td>
<td>94%</td>
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<tr>
<td>JUL-16</td>
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<td>AUG-16</td>
<td>93%</td>
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<td>SEP-16</td>
<td>89%</td>
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<tr>
<td>OCT-16</td>
<td>92%</td>
</tr>
<tr>
<td>NOV-16</td>
<td>90%</td>
</tr>
<tr>
<td>DEC-16</td>
<td>82%</td>
</tr>
</tbody>
</table>
Financial Clearance

- Goal was to have patients financially cleared prior to coming in for scheduled services.

- **AGB** (Amounts Generally Billed) and it is the average reimbursement of our Medicare & Commercial payers for medically necessary services.
New Incentive Plan Started in 2016

- Payouts changed from Annual to Quarterly Cycle
- Maintained “Meets & Exceeds” Benchmarks
- Enhanced portion - based on improvement as a % of Net Revenue from one quarter to the next
Achieved $6.6M more collections as a % of NPR with incentive plan

2016 Incentive Payout

- $662,671
- $5,964,042

- Enhanced Payout
- Benefit to Banner
Banner Health has a great ROI story.

**Point-of-Service Collections Banner Health**

2013 - Current

<table>
<thead>
<tr>
<th>Year</th>
<th>POS Collections ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$75.3</td>
</tr>
<tr>
<td>2014</td>
<td>$86.8</td>
</tr>
<tr>
<td>2015</td>
<td>$93.1</td>
</tr>
<tr>
<td>2016</td>
<td>$105.5</td>
</tr>
<tr>
<td>2017</td>
<td>$107.0</td>
</tr>
</tbody>
</table>
Banner Health processes and implementation of tool enhanced POS collections significantly...

23.6% Increase in point-of-service collections

$17.8M More dollars collected
Our staff likes ClearIQ because it provides a patient responsibility estimate letter that is easy for them to explain to patients, and patients are appreciative that we are showing them what they are actually paying for upfront.

- Jeni Erikson
  Senior Director, Patient Financial Services
  Admitting Department
Collection Do’s

- Always ask every patient, every time
- Teach 1,2,3 step collection method
- Answer all the questions the patient has regarding their benefits
- Never assume a patient cannot pay – listen to what they are telling you
What Would You Expect?

Patient’s have a right to:

- Know about their financial responsibility
- Receive a clear estimate prior to incurring expenses whenever possible
- Receive a knowledgeable real-time explanation of their responsibility deductibles, coinsurance and copays
- Have the opportunity to discuss with a financial representative, payor and family members
Revenue Protection
Best practices in the market
Vanderbuilt UMC (Nashville, TN)

**Implemented technology to improve point-of-service collections**

- Started with copays, then deductibles for insured patients, then moved onto uninsured population asking self-pay patients to pay $300.
  - "We know that the deductible amount may not be exact...We inform the patient that if we collect too much on the deductible, they will be reimbursed the difference." - Marsha Kedigh, RN, MSM, director of admitting and ED registration. VUMC

- If the deductible is high, staff members collect a partial payment. This amount is applied first toward the copay, with the remainder applied toward the deductible.
  - "We have been very successful with this first phase," reports Kedigh. "So far, we have seen a 50% increase in our collected amount."

Source: AHC Media. "Tools allow registration staff to collect deductibles in addition to collecting copays"
A patient’s propensity to pay decreases as the deductible size increases," says Gerilynn Sevenikar, vice president of patient financial services.

According to the hospital’s data, if a patient owes $500 or less, there is a 68% chance of collecting, but this number drops to 36% if the balance is $5,000 to $6,000.

"This tells the hospital recovery story for our high out-of-pocket patient," says Sevenikar. "Our experience has been that patients that have the capacity to pay, will pay, if they feel like the conditions are fair."

Source: AHC Media. "Tools allow registration staff to collect deductibles in addition to collecting copays"
Three Types of Patients…

1. “I always pay you”
2. “I pay you, but need help paying you over time”
3. “I don’t know if I can (or want to) pay you”
5 ways to keep your Revenue Cycle on course

1. Establish funding mechanisms in advance of care
2. Educate patients about the costs and coverage options for their care
3. Collect patient amounts PRIOR to service versus through an envelope
4. Actively segment bad debt into high yield accounts
5. Clean up uncompensated care by locating unknown insurance
POS COLLECTIONS IS SIMPLE!!!!

- Just ask the patient…

- Doing it consistently and respectfully – patients want to be asked 😊
Best Practices of Top-Performing Facilities:

- Adopt guiding principles and communicate the message
- Set the expectations, and establish accountability
- Update the mission, job descriptions, policies, and procedures
- Couple patients with the best funding mechanism available (ideally in advance of services) – “best” could be charity care
Increased transparency efforts for providers to offer estimates

Out-of-pocket cost estimation remains a popular strategy for improving patient financial literacy even as market products continue to evolve to better match organization and patient needs.
POS COLLECTIONS: Best Practices

Pre-Payment Loc/CCI

Pre-Discharge / Check out

Scheduling

Pre-Registration

Registration
Revenue cycle transformation

“Traditional”
- Healthcare service “shoplifting”
- Statements on a 90-120 day cycle
- Downstream billing / Bad debt risk
- Slowed payment by snail mail
- Inquiry Payments (how much can you afford)?

“Innovative”
- Patient financial clearance
- Employer plan education
- Pre-service estimates
- Credit/non-credit scoring
- Pre-established payment plans/Interest-free loans
- POS collections
- Consolidated bills
- Guarantor balance/portfolio
- Retail/ transparency/ consumerism
- Mobile payments
- Bad debt segmentation/ automation

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Across the country, hospitals who have implemented POS collections will assert that the benefits of POS collection far outweigh the difficulties of implementing the processes. By implementing the proper technologies, policies and training to support POS collection, hospitals and health systems in the near future will be more proficient realizing improved and timely collection from a growing population of self-pay patients.

In summary…

- Critically analyze market trends and evaluate best practices
- Look at where revenue is “stuck” and unstick it
- Adopt what would work well in your organization
- Identify the components and tools and scale the project to the resources available
- Train, retrain, and adapt the workflows
- Educate staff, customers, and community
Questions?
THANK YOU!

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Principal, Healthcare Strategy
TransUnion Healthcare
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Financial Clearance Workflow
High-balance patient account workflow