

## A Cost-Effective Rx For Collecting Self-Pay Balances

**A Simple Fact** - Most healthcare providers struggle with the management of self-pay balances because they lack both the financial and human resources to pursue the high volume of accounts. As a result, these accounts are often pushed out 120 days or longer, and providers eventually write them off or pay high collection agency fees ranging from 35 to 50%.

Providers will struggle to find a cost-effective solution to collecting self-pay balances until they incorporate a new billing collection system for patient-pay balances—one that is progressive and time-sensitive.

**A Growing Problem for the Healthcare Industry** - As a result of persistently high unemployment, lower reimbursements and the increasing cost of health insurance, medical practices and hospitals are seeing an increasing number of self-pay patients.

According to the Healthcare Financial Management Association (HFMA) 2009 study, "The Changing Face of Self-Payment in Hospitals," 97% of hospitals surveyed experienced an increase in self-pay accounts receivable compared with the prior fiscal year. One-third of respondent hospitals reported that receivables are growing at a faster rate than patient revenue.

Traditional healthcare billing models are designed to collect from "best" payers first – insurance companies and government programs. The problem with this model is that it gives less priority to collecting from the growing volume of self-pay patients.

As a result of current economic conditions and new government mandates, co-pays and deductibles are increasing, and at the same time, the population of uninsured patients is trending higher at an unprecedented rate. Consequently, effective management of self-pay accounts receivables is becoming critical to the financial health of a medical practice.

In a June 2008 report published by Healthcare Finance News, 94% of the healthcare financial and operations executives surveyed identified improving self-pay collections as a top priority, and 43% said self-pay receivables were growing faster than their organization's billing function could handle.

**Factors Causing the Problem** - There are two main reasons why many patients don't pay their medical bills. The first is that most providers do not have a cost-effective and systematic self-pay collection process in place. Most often self-pay balances under \$500 are put in a low priority call list and are usually written off or given to a collection agency. The second and probably the main reason for non-payment is that there are often no negative consequences for the patient who does not pay his medical bill.

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The same person is far more likely to pay his cable bill, car payment, or credit card obligations because failure to pay will have a severe impact on him. Unpaid balances may be reported to the three major credit bureaus – Equifax, Experian and Trans Union. People understand that a negative entry on their credit report will result in serious consequences such as higher interest rates, limitations to credit, and increased insurance costs.

Unfortunately, patients are more likely to avoid paying a medical bill because they are not motivated by negative consequences for non-payment. They assume that if their bill is not paid, they will continue to receive a series of invoices month after month, but their healthcare provider is not likely to contact a credit bureau.

In today's world, a medical practice must take additional steps to collect self-pay balances or collection problems will only get worse.

**The Need for a Solution** - Experts agree that the ultimate goal of all healthcare providers should be to use effective, efficient patient-friendly billing systems. Timely and clear patient communications will give providers a significant competitive advantage in the market including:

1. 30% increase in the collection of self-pay balances aged less than 90 days
2. 50% reduction of bad debt balances less than \$500
3. Increased patient satisfaction
4. Increased productivity in billing department
5. Increase in office staff's job satisfaction

**A Cost-Effective Solution** - Most providers cannot afford the staff time and resources it would take to increase collection rates on a large number of small balance accounts. Understandably, organizations will not invest in automated collection technology unless it delivers a significant return on their investment by making it easy on their staff and easier for patients to settle patient-pay balances sooner.

The solution is an affordable, streamlined collection process using a unique blend of invoicing, automated payment reminders, online payment processing, pre-collect letters, credit bureau reporting and third party collections.

By automating the notification and collections process, collection costs can be reduced by more than 50 percent. Also, by contacting more patients earlier in the collection cycle, and by making it convenient for these patients to pay via an automated system or transfer to a live agent, providers can double 90-day patient-pay collection rates, and cut patient-pay bad debt in half.

**Next Steps for your Organization** - To create or outsource a powerful self-pay collection system with built-in consequences and an escalating, consistent process for collecting your self-pay balances, call 800.750.9422.