Advice for Collecting Patient Debt

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By Randy Phelps

As patients assume more responsibility for payments, healthcare providers will increasingly be looking at methods and procedures to improve their collection of debts. Healthcare providers can improve their success by using technology to implement more ways for patients to conveniently make payments.

A recent report from the American Hospital Association found that 87 percent of healthcare providers surveyed reported increased bad debt and charity care as a percent of total gross revenue. And as a result of the Affordable Care Act, nearly 20 million newly insured patients will enter the healthcare system by 2014, assuming more and more responsibility for healthcare payments.

With this comes a potential increase in bad debt, which a recent report by the U.S. Department of Health and Human Services stated as being $40 billion a year.

By offering more ways for patients to conveniently make payments, such as paying online and via mobile devices, healthcare providers can work toward encouraging more patients to pay their bills, and on time.

The technology is available to introduce new and more patient-friendly and convenient payment channels, plus value-added services such as pre-funded accounts, where healthcare providers can receive what is in effect a “payment of good faith,” encouraging patients to pay upfront for their upcoming treatments or procedures. All of this crucially contributes to a reduction in revenue-cycle management, ensuring that health providers are paid for their services in good time.

Pivotal Time in the Healthcare Market

Many providers are not yet prepared for an increase in patient financial responsibility; surprisingly, most do not have the ability to collect payment, other than copayment at the time of service. Of those who do have a process in place, the majority only collect a portion of the payment at the time of service.1

Through providing on-demand and virtual payment channels, healthcare providers can open up more automated payment options, while potentially reducing the costs of paper billing and statements—and ultimately, reducing “days sales outstanding” (DSO). DSOs could be cut between 30 percent and 70 percent.

New Technologies in Practice

The shift of patient power in the payments process means that healthcare providers must be more agile in how they accept payments. Recent developments are enabling healthcare providers to easily add new billing and payment options without having to invest heavily in new technology, change existing back-office systems or develop new websites.
Out of Office Collections

All medical providers should establish an out-of-office means for payment collection, such as a website that accepts debit or credit cards. To the patient, the payment website looks and feels the same as one of the healthcare provider's services. This is what most patients looking to make a payment prefer, and will soon demand.

Managing Check Re-Presentment at the Right Time of the Month

For those accepting payments by check, utilizing a not-sufficient-funds check re-presentment service enables healthcare providers to re-present returned checks on strategic dates to coincide with paydays to increase the likelihood of payment.

Agentless Payment and Debt Negotiation

Other services, such as an interactive voice-response system for those wishing to pay by phone, can alleviate the huge burden on the accounting office. For example, these services eliminate the distraction of a patient calling to make a payment and having the patient's card number read on the phone to someone in accounting.

Encouraging payment with an agentless debt negotiation system brings real benefits to patient and healthcare provider alike. Online debt negotiations allow patients to agree to a payment plan privately, online, and without the embarrassment of going into the offices or speaking to someone at the practice or on the telephone to discuss the debt.

Pay by Text

Pay-by-text solutions maximize mobile and text applications to appeal to the expectations of the tech-savvy, especially “Generation Y.” These Millennials are already used to e-billing and e-payments for Internet and cell phone use, so they will lead the charge for new payment processes being introduced in healthcare.

Pre-Funds Provide Facilities for Patients to Plan Their Payments in Advance

Pre-funded accounts are another option that make payment easier and reduce the risk for healthcare providers. By introducing pre-funded accounts for patients who are unlikely to be able to pay the entire balance due on the spot, healthcare providers can dramatically improve installment payments—which patients see as a value-added service that their healthcare provider is offering them.

Prepayment for services has gained significant acceptance, led by the cell phone industry, where approximately 65 percent of new customers opt for pre-pay service plans (IDC, 2009). Offering such prepaid plans for recurring services or therapy make sense in today’s challenging environment.

Future Developments

Continued innovation makes e-billing even more convenient and secure for those settling healthcare debt. For example, implementing one-time-use URLs (called PURLs, based on the term “personalized” URL), generated for the printed statements, allows patients to quickly pay online without the need of creating a profile within a provider’s portal.

Once the payment is processed, an email notification will be sent to both the customer and the biller. If a payment fails, the biller is notified so they can follow-up with the patient.

It’s the Bottom Line that Benefits

In the healthcare sector, upwards of 60 percent of patient payments can go uncollected. By migrating away from manual billing and using technology to enhance the collection of payments, providers will significantly reduce outstanding balances and patient bad debt—and consequently, improve their DSO.

Within the healthcare sector, the patient experience and community perception is very important. By incorporating payment methods as described above, providers are able to reduce the number of accounts with outstanding balances and provide their patients with more convenient options to pay for their medical treatments.

The key lies in the ability to increase convenience for patients, so that they are encouraged to pay, and pay on time.

Prior to joining BillingTree’s executive team as COO, Randy Phelps served as the vice president of operations for one of BillingTree’s clients and was an early adopter of BillingTree’s integrated payment solutions.

Reference: