CLEARBALANCE™

Dedicated to helping people™

By CSI Financial Services

"Grabbing the Reins of Your Self-Pay Population"

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Agenda

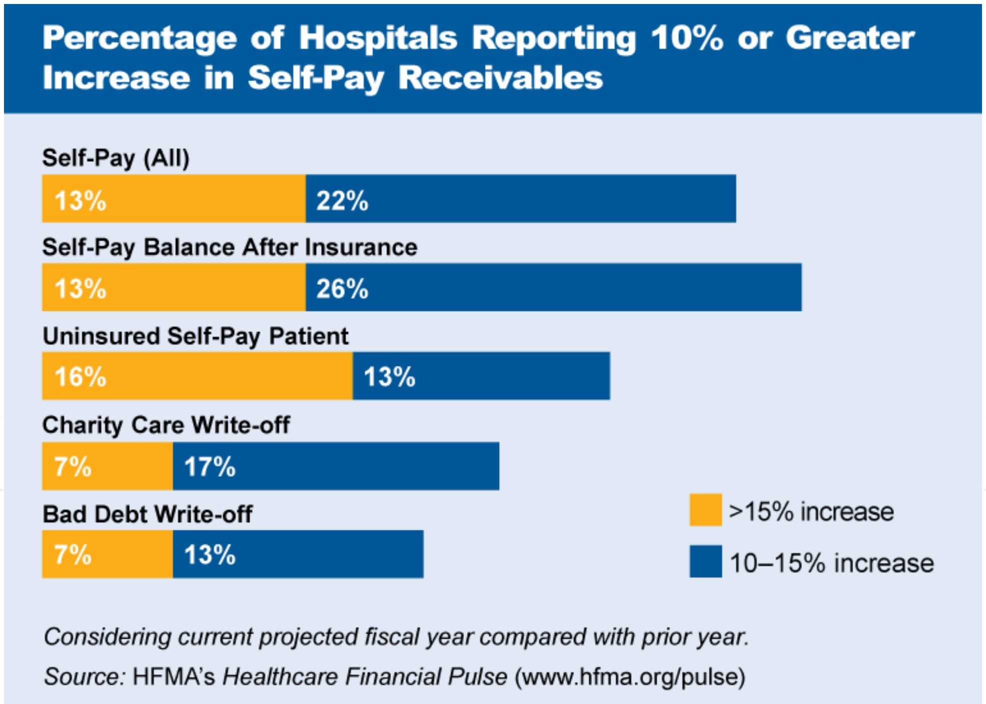
- Economic trends and the factors influencing self-pay recoveries
- Identifying elements of healthcare's "Perfect Financial Storm"
- Best practices for increasing recoveries and improving patient satisfaction rates
- What successful providers are doing to win the self-pay battle
- Are you talking to patients? Are you listening—really?
  Your patient satisfaction rates depend on you—and what actions you are taking!

What's Happening?

Don't end up on the island of patient non-payment and poor satisfaction rates!

Self-Pay Trends: Accounts Receivable

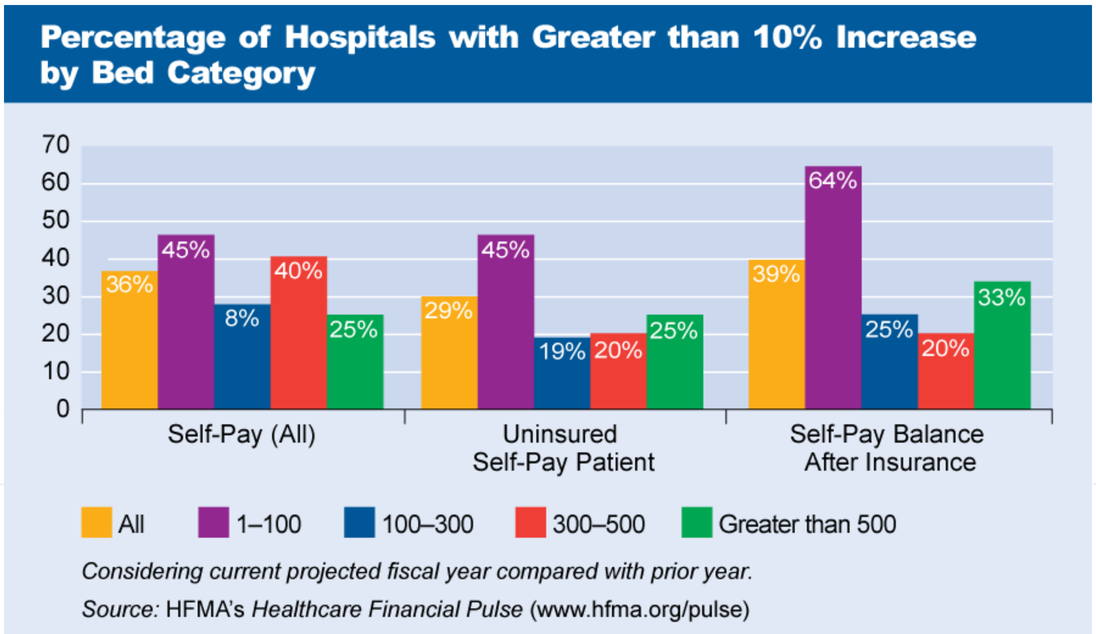
97% of respondents experienced an increase in self-pay accounts receivable compared with the prior fiscal year. Of these hospitals:



- More than one-third have experienced an overall increase of 10% or greater
- 39% have experienced a growth in self-pay balance after insurance of 10% or greater
- One in five have had a 10% or greater increase in bad debt write-offs

Self-Pay Trends: Hospital Size

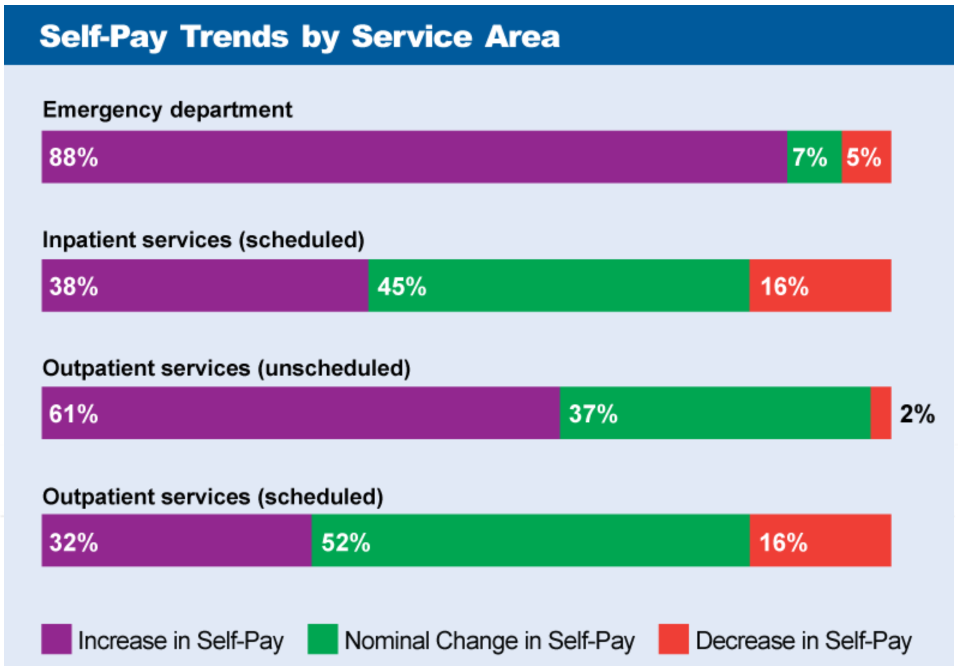
Small hospitals (1-100 beds) were most likely to experience a self-pay increase of greater than 10%. Of these small hospitals:



- 45% experienced a greater than 10% self-pay increase, compared with 36% overall
- 64% saw self-pay balance after insurance rise by more than 10%, compared with 39% overall

Self-Pay Trends: Service Area

Emergency departments and unscheduled outpatient services are experiencing the most self-pay growth.



Considering current projected fiscal year compared with prior year.

Source: HFMA's *Healthcare Financial Pulse* (www.hfma.org/pulse)

"In business, the more widgets you produce, the more money you make. But the more people we serve, the deeper in the hole we get. To have a hole this big, this early, is worrisome."

— Ferrell Davies,

CEO Heartland Community Health Clinic

More Self-Pay Trends

Average healthcare costs for U.S. employers rose 7.3% in 2009, up from 6.1% in 2008.

— Thomson Reuters Study

More Self-Pay Trends

Number of uninsured Americans expected to grow by 10 million in five years to a total of 59.7 million, or nearly 20% of Americans, unless healthcare reform legislation does exactly what it claims.

— Robert Wood Johnson Foundation

And we know even with healthcare reform, deductibles and co-pays will continue to drive patients' out-of-pocket expenses beyond their ability to pay!

Identifying Elements of Healthcare’s “Perfect Financial Storm”

Continued difficult economic environment; high unemployment; savings and credit access strained or drained; and providers are being challenged to improve patient satisfaction—the “perfect storm”

Elements of Healthcare's "Perfect Financial Storm"

70% of healthcare executives believe reform will hurt their facility's financial stability.

— 2010 Survey of Healthcare Executives (AMN Healthcare)

Elements of Healthcare's "Perfect Financial Storm"

Healthcare prices increase 3.6% from 2009 for both hospitals and patients.

— BLS Producer Price Inc

U.S. hospitals provided $39.1 billion in uncompensated care in 2009 (most recent data available), up from $36.4 billion in 2008.

— American Hospital Association

This is a scary statistic, because we all are pushing to identify charity sooner and with better tools— so this is only going to grow!

Elements of Healthcare’s “Perfect Financial Storm”

Family healthcare costs for a typical family of four rise 7.2% from 2009 to an all-time high of $18,074.

— Milliman Medical Index (MMI)

75% of healthcare facilities report greater increases to bad debt now than from the 2001 recession.

— TransUnion Survey

Elements of Healthcare’s “Perfect Financial Storm”

Moody’s predicts nonprofit hospitals will be hit hardest by healthcare reform, despite legislation to reduce hospitals’ burden on uncompensated patients.

— Moody’s Investor Services

Except for those fine Medicaid cuts . . .

Elements of Healthcare’s “Perfect Financial Storm”

72% of hospitals report depressed volumes of elective procedures due to economy.

— American Hospital Association

You need to think about a “volume stabilizer”!

Elements of Healthcare's "Perfect Financial Storm"

72% of hospitals report reduced operating margins.
50% of hospital report reduced nonoperating income.
44% report reduced access to capital.

— American Hospital Association

Want More?

Didn't think so. How do we survive the "perfect storm"?

Self-Pay “Best Practices”

1. ***Success Starts at Registration and Scheduling:*** **You *MUST* be able to determine both eligibility *AND* accurate out-of-pocket obligation estimates *BEFORE* nonemergent services are rendered (are you using an estimator?)**
   - Determine if the patient is eligible for charity/Medicaid/other financial assistance upfront, not after the fact (that lovely Medicaid pending category)
   - Excellent patient estimator tools have entered the market, and they have made significant improvements from several years ago. Provide accurate estimates as early as possible and communicate them to the patient
   - Self-pay collections is moving upfront—provide your team with the best tools and processes to improve your patients’ “financial” repayment experience

Self-Pay "Best Practices"

2. *Engage More, Collect More:* **Clearly stated repayment policies communicated at all phases of the revenue cycle, including your web site, statements, online bill pay, press releases and signage at POS/financial counseling areas**
    - Starts in pre-Registration and continues throughout the customer service revenue cycle
    - Need to slowly change payment expectations to your community—announce new or changed repayment guidelines (spin the more patient-friendly and patient advocacy message)
    - Explain to patients proactively that we have other options to pay their balance and help them AVOID having their account forwarded to collections

Self-Pay “Best Practices”

2. ***Engage More, Collect More:*** **Questions and tactics to consider:**
    - What are your current repayment guidelines (terms to what length?)
    - Review your PIF and prompt pay discounts. Make sure they “make sense” with your repayment guidelines
    - Do you know your average repayment terms? Those patients that are set up by term . . . are they paying timely? What are your service standards/reminders to stay current? Are you measuring this?
    - Statements should carry the past-due amount and current amount due AND a customer service number if they need assistance
    - Statements need to “prompt” the patient into action (review verbiage). Encourage them to call!
      Then talk to them!

2. *Engage More*, *Collect More:* **Additional tactics to consider:**

- Review your outbound messaging. There are excellent and inexpensive “auto reminders”/courtesy callers on the market
- Understand you should plan your campaigns for true S/P differently than BAI—and again planned around statement generation timelines
- Inbound and IVR usage—have you listened to your “prompts” recently? Are patients sent in circles with never a “live” voice a remote possibility? Wonder why they are a “tad” irritated when they finally reach a live body? Do you think this affects your patient satisfaction rates?
- Inbound staffing—do you have “service standards” in place? What do they look like? Again, we know that around statement time calls spike. If they can’t get through, what happens? VM—if so, how soon are they called back . . .within an hour/day/week/whenever?

Self-Pay “Best Practices”

3. ***Supportive Financial Counseling:*** **Make it a part of every patient experience**

   - Talk about financial obligations and repayment options from first contact. Again, this is educational and tedious to start
   - Little things such as “props,” “pop-ups” and scripting will help in the training and improve consistency
   - These can be as simple as external Excel spreadsheets, “cheat sheets,” or a “payment calculator”(automatically calculates provider-approved payment ranges by balance and term); additional gives the financial counselors a color code if they are outside preapproved repayment guidelines

Patient access and financial counselors are many times your first and last contact with the patient and absolutely critical to patient satisfaction rates. Help them with the tools and training . . . to help yourself!

Self-Pay "Best Practices"

4. ***Extended Repayment Options (Terms):*** **In most cases, reduce bad debt volumes and improve patient satisfaction rates if monitored effectively. But never forget to ask for PIF and your prompt pay incentives**
   - Monitoring—if you are outsourcing self-pay, how are you measuring repayment terms, default rates and effect on bad debt %? Do they provide BCMS (in/out call stats and service levels)—"inspect what you expect"
   - If self-pay is serviced in-house, are you effectively measuring default rates *and* an accurate cost to collect? Do you know your cost to collect S/P and BAI? I know all are given a budget—is it a fully "loaded" %?
   - Understand—allowing patients to repay over time carries a cost whether managed in-house or out). But there is also a cost associated with poor patient satisfaction rates and empty beds!

Check out what your competition is offering (also a smart move). And don't forget to benchmark prior to making changes—you need to know where you were to show improvement!

1. **Adopt the three "C's" approach: *Clear*, *Concise and Consistent* communications with your patients**
   - Ask for co-pays, co-insurance and deductibles early and often. Use an estimator to educate patients' repayment responsibilities
   - Make it easy for patients to pay: POS, web site, online, by phone, after hours, kiosks, ACH payments
   - Offer prompt pay "discounts" for PIF and track if a discount is allowed within 30 days

   Train your staff—educate your patients again, again and again!

2. **They have instituted a robust charity identification program and have installed external tools (companies) to assist with the identification of potential charity**
   - A substantial amount of accounts that go to bad debt are eligible for charity care (wasted opportunity). Suggest a “look back” for potential identification if needed
   - Aggressively review Medicaid pending and “potential charity” buckets. Ensure you have a consistent follow-up process in place
   - Assist patients with applying for charity/Medicaid (1 in 5 consumers is functionally illiterate according to the US Dept. of Education, so handing them an application isn’t enough)

3. **They maximize technology (in-house or external) and analytics to focus on those who can pay, and those patients who want to pay but can't meet internal repayment guides**

   - 80% of self-pay cash will come from less than 33% of your self-pay accounts. Consider "propensity to pay" modeling—some very robust tools available that have come a long way in the last several years
   - Credit scores alone are not enough (i.e., elderly, young adults, divorced, foreign nationals, etc.) Are you pulling credit scores now? How are you using this data? Consider adding as a variable for your repayment guidelines, and remember they can be pulled real time as a "soft hit"
   - Good A/R recovery companies use analytics to aggressively target the accounts most likely to pay. Are you doing the same?

4. **They replace in-house payment plans with funded patient financing programs. This is gaining in popularity as an option to carrying on your books and the associated expense**

   - Time value of money is key (i.e., hospital gets paid upfront, but patients have extended payment options, improving patient satisfaction rates
   - Bank loans, even at 0% interest, perform much better than hospital payment plans (i.e., consumer psychology and hierarchy of repayment), reducing defaults and patients going to bad debt
   - Internal costs of self-pay collections are greatly reduced (i.e., lockbox, Visa interchange, statementing, postage, staff, cash posting and those other cost-to-collect variables)

Wrap-up

- Take a proactive stance to improve patient satisfaction rates
- Understand the current economic financial storm your patients are enduring—review internal repayment policies and external partners' compliance to improve the patients' "financial" experience with your facility
- Embrace technology/processes that allow ease of patient communication and repayment options
- Train your staff to deliver a concise, compassionate and consistent repayment message to your patients—use available tools to support your message (and your team)—and measure results
- Work with your marketing department to announce positive changes. Build community awareness and a competitive advantage
- Consider an external funding strategy to complement—not compete with—internal repayment guidelines