



EBOOK

# The Real Reason Patient Payments Go Uncollected: What Providers Need to Know

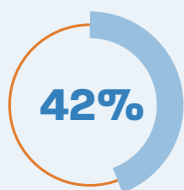
Recent research comparing patient and provider survey responses on payment preferences

## Current State of Affairs

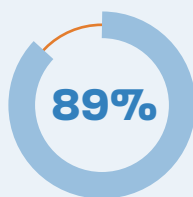
Billions in patient responsibility go uncollected each year. Today, consumers are faced with even greater financial pressures due to the pandemic and other global events, which could make it even harder for hospitals to collect. Research conducted in September of 2021 found that 50% of all Americans now have medical debt and of those, nearly 46% have medical debt in collections.<sup>1</sup> Most of those who carry medical debt owe between \$1,000 and \$5,000.<sup>2</sup>

Hospitals have also been impacted. It is estimated that they will lose close to \$54 million in net income, even with federal aid programs.<sup>3</sup> Faced with their own pandemic-related financial stressors, hospitals can't afford lackluster collections anymore. But to identify the best path forward to improve patient payments, they need to identify the real issues around why so many patients don't pay.

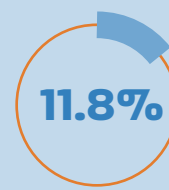
### Reality Check<sup>4</sup>



Hospital executives believe they're collecting more than 30% of total patient A/R



Hospital executives say they're confident in the amount of patient payments they collect

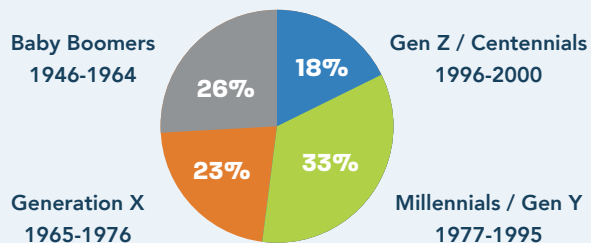


The actual average percentage of patient A/R hospitals collect.

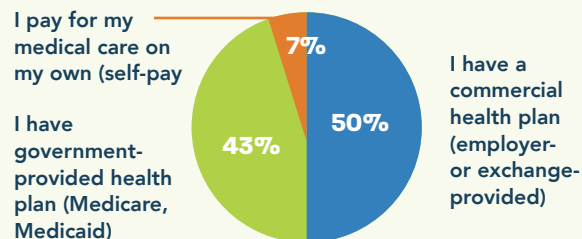
## Consumer Participants

iVitaFi has just released its annual Patient and Provider Market Research results for 2021. The report, which is done in collaboration with Eliciting Insights, seeks to uncover the current financial situation for both hospitals and their patients. In July 2021, we polled a broad cross section of 435 consumers who have received care from a hospital within the previous 24 months—either scheduled or urgent.

### All respondents over 21



### 50% of respondents pay for health insurance





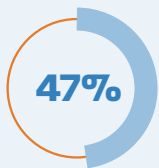
## Provider Participants

In addition to consumers, we also surveyed 95 healthcare provider leaders in September 2021 to get their input on their experience collecting patient payments. Close to half of respondents were CEOs or CFOs.

Title	Percentage	NPSR	% of Respondents
CEO	3%	<\$100M	39.6%
CFO	45%	\$100M-\$499M	22.0%
VP/Director	41%	\$500M-\$999M	8.8%
Manager	7%	>\$1B	22.0%
Other	3%		

### Payments from the patients' perspective

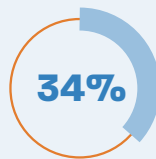
Even before the pandemic, almost 40% of Americans surveyed said they wouldn't be able to cover a \$400 emergency expense with cash, savings, or a credit card.<sup>5</sup> Our latest research shows that the pandemic has only increased financial insecurity for patients.



are extremely or somewhat likely to cancel or skip hospital care due to concerns about how they would pay.<sup>6</sup>



are worried about how they are going to pay for their recent hospital service.<sup>7</sup>



have had to find other ways to pay their healthcare bills outside of the options offered by their hospital.<sup>8</sup>



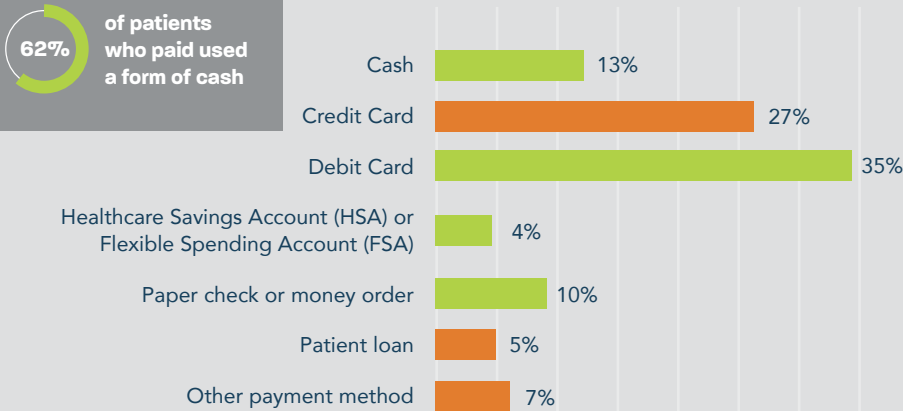
said they want more payment options than those currently offered by their hospital.<sup>9</sup>

Of all age groups, Millennials and Gen Y are the most worried about their ability to pay for their healthcare.

## Patient responsibility

Medical bills still rank lowest when it comes to prioritizing monthly payments, behind mortgage, rent, utilities, auto payments, credit cards, and bank loans. This may be why just **two-thirds of the consumers we surveyed said they paid less than half of the patient responsibility** for their recent hospital service. Half of them owed less than \$1,000. The majority of patients who did pay their responsibility used some form of cash.

## Most Popular Payment Methods



How and when patients want to pay may come as a surprise to hospitals. Half of all patient respondents want to know their out-of-pocket expenses before they receive the service. Likewise, 50% want the option of making payments prior to, or at the time of, service. This is great news for hospital systems that have invested in rigorous financial clearance processes.

Of patients who used a credit card,



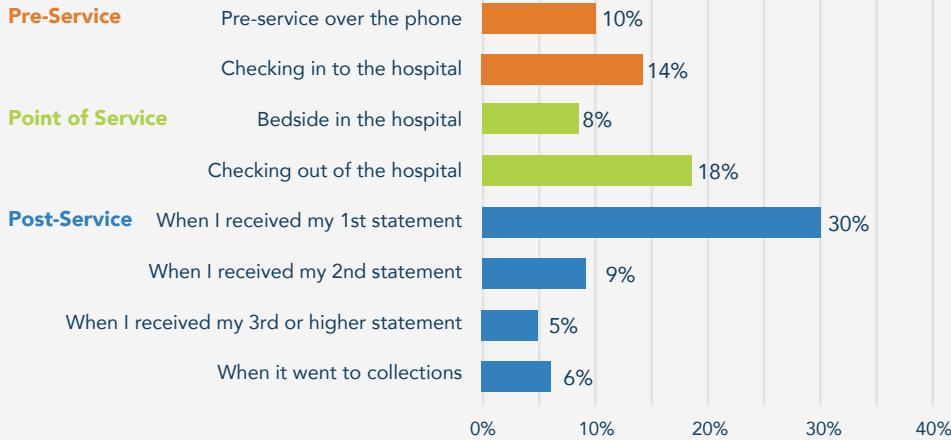
Immediately (within 30 days)	37%
1-3 Months	22%
6-12 Months	27%
12+ Months	9%
Not sure / not applicable	5%

**Of patients who use credit to pay for their services, more than 50% incurred interest expenses. Paying interest only adds to the patient's payment challenges.**



# When and How Patients Want to Pay

**50%** of patients prefer to make a payment Pre- or Point of Service



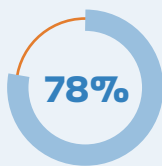
Consumers rank phone calls as least preferred method of payment requests

Communication Preference for Payment Request	Rank	Score
Written Notice	1	100%
Email	2	87%
Text Message	3	83%
Phone Call	4	67%

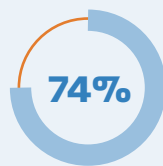
(1 most important, 4 is least preferred)

Providers thought just 27% of patients would prefer to pay before or at the time of service, while the actual preference was 50% of patients. This difference highlights how providers need more insight into how patients want to pay for their healthcare services.

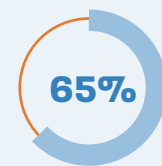
## If Extended Payment Options Were Offered by Their Hospital



would go back to the same hospital



would recommend the hospital to family and friends



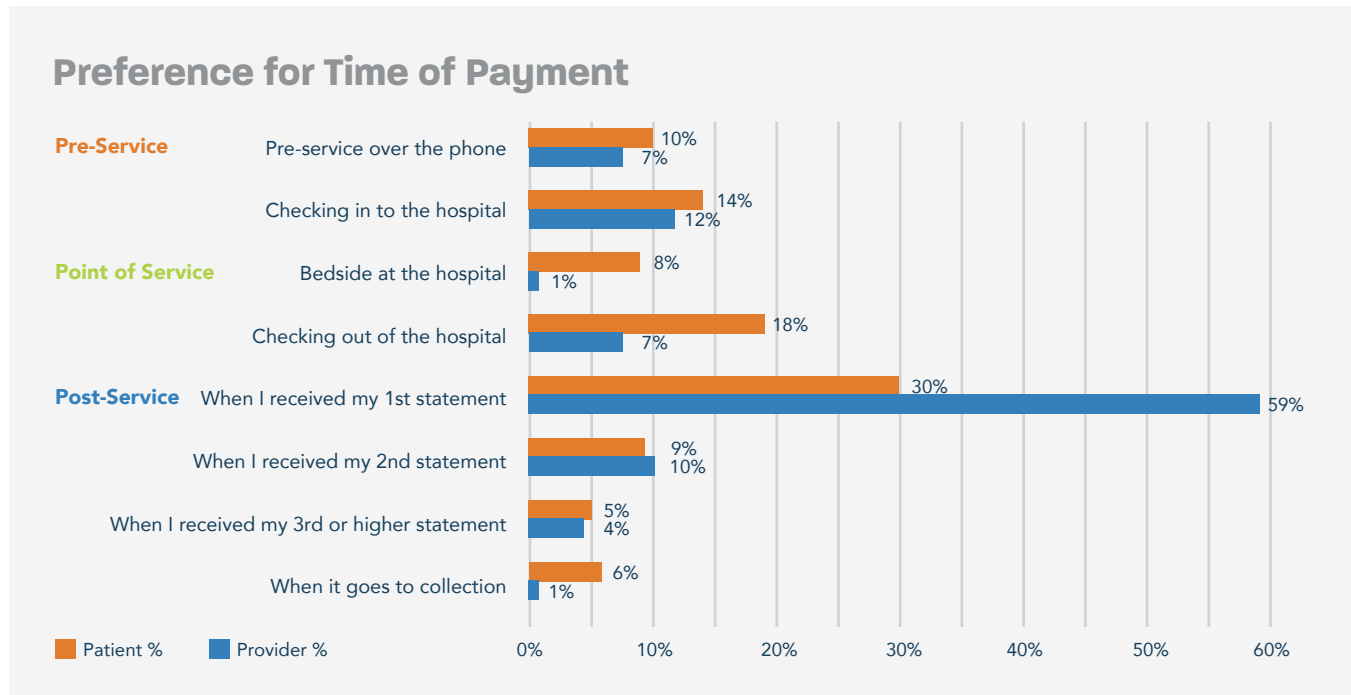
say it would improve their overall patient experience

## Payments from the providers' perspective

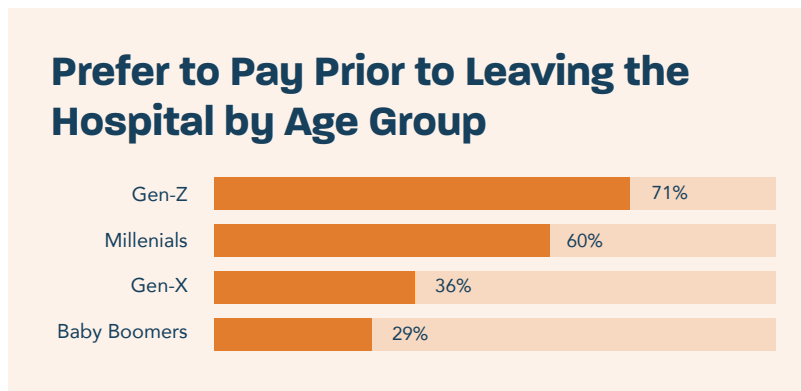
When providers were asked how patient-friendly their hospital billing processes were, 80% of hospitals said "very" or "fairly" patient-friendly while just 69% of consumers believed the same.

The overwhelming majority of consumers in our survey said they would like to be offered extended payment options and that doing so would improve their relationship with the hospital.

# A Disconnect on Patient Payment Preferences



When asked when patients preferred to make payments to the hospital, many respondents preferred to pay at pre- and point-of-service. This is great news for hospital systems who have invested in rigorous financial clearance processes. Most interestingly, there was a big difference in time of payment preferences based on age group.



While most hospitals today optimize post-service payment collection for all patients, this demonstrates the need to consider different payment approaches by generation, and to continue optimizing pre and point of service collections specifically for younger generations.

While 82% of hospitals believe offering extended payment options would increase the likelihood that patients would return for future services, 78% of patients felt the same.

## Top Patient Payment Collection Challenges

An accurate patient estimate

People out of work due to COVID and unable to pay

Prior to COVID our counselors would meet live with more patients, the process has stopped for now.

Turnover with upfront staff

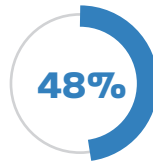
Hiring experienced staff. Our pay scales are below the market.

Having dedicated staff to focus exclusively on patient collections

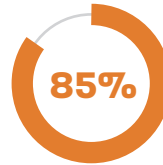
## Growth in Collection Improvement Initiatives from 2020 to 2021

Other options hospitals are considering include targeted offers, prompt pay discounts, early out agency, and auto-dialer technology. Since third-party loan programs have risen the most in popularity, we asked providers how many currently have such a lending program in their facility.

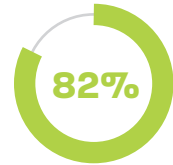
<b>+26%</b>	3 <sup>rd</sup> party loan programs
<b>+22%</b>	Staff incentives
<b>+19%</b>	One-time discounts
<b>+13%</b>	Improve digital/self-service experience
<b>+7%</b>	Payment plans
<b>+4%</b>	Online payment/patient portals



25% already used a 3<sup>rd</sup> party patient loan program, and 23% are considering/planning to implement



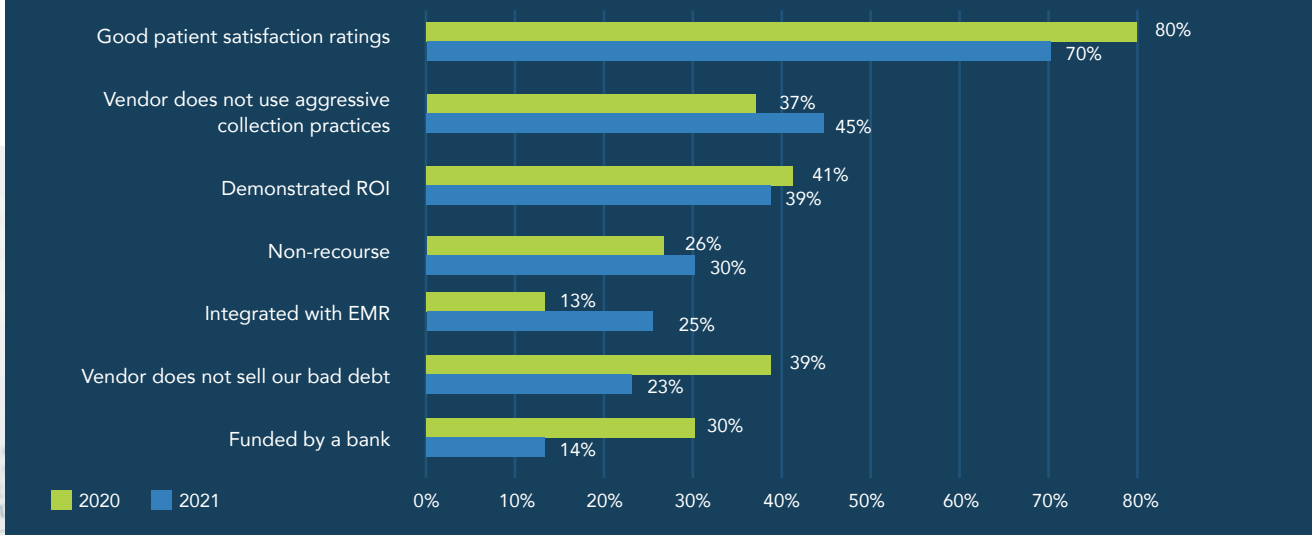
Say 3<sup>rd</sup> party loan programs are an effective way to improve patient **cash collections**



Say 3<sup>rd</sup> party loan programs are an effective way to improve **patient satisfaction**

When asked what matters most when considering a 3<sup>rd</sup> party loan program, the overwhelming majority said patient satisfaction.

## Most Important Factors When Considering a 3<sup>rd</sup> Party Patient Loan Program



# Options for leveraging patient financing to improve collections

There is very little barrier to entry to offer payment plans. However, managing those plans can be challenging, especially when staffing shortages are hitting every department, including collections. **Currently, just 11.8% of patient accounts are ever completely resolved.** This may be because hospitals were never meant to be banks, managing portfolios and mitigating default risk.

Many hospitals have realized the need to get out of the banking business and have turned to recourse lenders to help. Unlike payment plans where providers collect a little bit of cash each month, recourse lenders provide the entire patient account balance to the hospital up front.

The problem with recourse lenders is that if the patient defaults, they send the account back to the hospital. This means hospitals have to keep a contingency account to cover that possibility, losing access to capital while increasing the complexity and cost of reconciliation.

A better option is non-recourse lending. In non-recourse lending, hospitals still receive the full amount of the patient account up front, but if the patient defaults, it's up to the lender to collect. The non-recourse lender keeps all patient accounts no matter their status. This frees up hospital capital for more strategic initiatives.

## The Difference Between Payment Methods

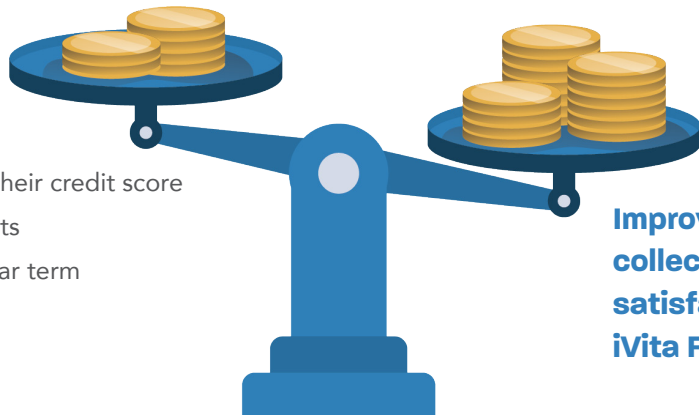
Program	Collection Results	Hospital Resources	Best Fit Hospitals	Program Pros	Program Cons
<b>Payment Plans</b>	\$\$\$	3 people icons	<ul style="list-style-type: none"> <li>Strong cash position</li> <li>Expert revenue cycle department</li> </ul> <p><b>No cash acceleration.</b> Liabilities remain on hospital balance sheet.</p>	<ul style="list-style-type: none"> <li>Comfortable</li> <li>Self-administrated by hospital staff</li> </ul>	<ul style="list-style-type: none"> <li>Difficult to manage</li> <li>May take years to recoup unpaid balances</li> </ul>
<b>Recourse Lending</b>	\$\$\$	3 people icons (1 grey, 2 orange)	<ul style="list-style-type: none"> <li>Investment-grade hospitals</li> </ul> <p>If the patient defaults, the <b>hospital</b> takes back the account balance</p>	<ul style="list-style-type: none"> <li>Cash acceleration</li> <li>Lower fee vs. non-recourse lending</li> </ul>	<ul style="list-style-type: none"> <li>Patient default exposure</li> <li>Recourse reconciliation is painful</li> </ul>
<b>Non-Recourse Lending</b>	\$\$\$	3 people icons (2 grey, 1 orange)	<ul style="list-style-type: none"> <li>All hospitals - no reserve required</li> </ul> <p>If the patient defaults, the <b>lender</b> is on the hook, not the hospital</p>	<ul style="list-style-type: none"> <li>Cash acceleration</li> <li>Higher netback vs recourse lending</li> </ul>	<ul style="list-style-type: none"> <li>Higher fee vs. recourse</li> <li>Need to understand underwriting</li> </ul>

## iVitaFi is a great option for hospitals looking to collect more patient payments with fewer resources.

Our program provides patients with affordable payment options like no-interest, no fee credit lines. Since we offer a non-recourse lending program, hospitals receive full payment up front, without having to wait months or even years to collect only a small portion of original amount.

### How iVitaFi Works

- Easy to implement
- We accept all borrowers, regardless of their credit score
- Immediate funding, no return of accounts
- No fees to the patient, no interest, 3-year term
- All digital experience for the patient



**Improve patient collections and satisfaction with iVita Financial**



With iVitaFi, hospitals receive the full amount owed—**up to 5 times their average collection rate**—with no further cost to collect. But what do our patient and provider clients like most about us? We asked them and this is what they said:

- **No interest loans**
- **Approval is fast**
- **Receiving payment by bank draft or debit card**
- **Hassle-free**
- **Patients: 90% say they are very like to recommend us to a friend or family member**
- **Providers: 4.9 / 5 satisfaction rating**

## The Road to Financial Recovery

Hospital gross operating revenue and margins are slowly improving although not to pre-pandemic levels yet.<sup>10</sup> And much of the improvement has been offset by the cost of supplies and staffing shortages. The bottom line is that financial recovery is likely to be a long and challenging journey. Hospitals need to do all they can to collect every dollar they're owed. Offering patients extended payment options through a non-recourse lender can help hospitals increase collection rates by as much as 70% to 90% while improving patient satisfaction and hospital loyalty at the same time.

## About iVitaFi

iVitaFi helps patients pay for their healthcare bills while helping providers increase their cash flow and improve patient satisfaction. Our zero interest, non-recourse lending program helps health systems improve their financial performance so they can focus on what they do best: delivering quality care.

- 0% interest, no fees, 3-year term
- Available to all credit profiles\*
- Convenient customer portal for 24/7 digital account access
- Guarantor-level line of credit is reusable and available to the whole family
- Hospital fully funded right away for each account

### Benefits to Patients

- Reduces financial stress associated with healthcare costs
- Ensures patients can afford the care they need when they need it
- Helps make paying hospital bills easier to understand
- The reusable line of credit keeps patients and their families on the path toward complete physical and financial wellness

### Benefits to Providers

- No implementation fees
- Significantly improve patient collections and reduce cost to collect
- Reduce bad debt on patient receivables
- Help patients manage unexpected out-of-pocket costs
- Improve patient satisfaction
- Reduce patient leakage with a reusable line of credit at the guarantor level
- Reduce no-shows and cancellations
- Non-recourse patient financing means never having to worry about defaults

**Contact us today to discuss non-recourse patient financing options for your organization. We look forward to helping you improve cash collection and reduce patient bad debt.**

☎ (888) 504-8482

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🌐 [www.ivitafinancial.com](http://www.ivitafinancial.com)

## Sources

<sup>1</sup> "Many Americans Still Can't Pay Off Less than \$5,000 in Medical Debt," Debt.com (<https://www.debt.com/research/medical-debt-survey/>)

<sup>2</sup> Many Americans Still Can't Pay Off Less than \$5,000 in Medical Debt," Debt.com (<https://www.debt.com/research/medical-debt-survey/>)

<sup>3</sup> "Financial Effects of COVID-19: Hospital Outlook for the Remainder of 2021," American Hospital Association, September 2021 (<https://www.aha.org/guidesreports/2021-09-21-financial-effects-covid-19-hospital-outlook-remainder-2021>)

<sup>4</sup> iVitaFi Data Study Findings

<sup>5</sup> Report on the Economic Well-Being of U.S. Households in 2018 – May 2019, Federal Reserve, May 23, 2019 (<https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>)

<sup>6</sup> Independent market research via Alchemer Consumer Panel, iVitaFi, July 2021, n=435

<sup>7</sup> Ibid

<sup>8</sup> Ibid.

<sup>9</sup> Independent market research via Alchemer Consumer Panel, iVitaFi, July 2021, n=435

<sup>10</sup> "Hospital margins are improving. (But they're still below pre-pandemic levels)," Advisory Board, February 2, 2022 (<https://www.advisory.com/daily-briefing/2022/02/02/hospital-margins>)

\*Program terms and conditions apply.

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