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MANAGING PATIENT COLLECTIONS BEYOND THE PANDEMIC

A comparison of key patient financing strategies for health systems.

PAYMENT CHALLENGES CONTINUE FOR PATIENTS AND PROVIDERS

Providers have been struggling with skyrocketing patient financial responsibility ever since high-deductible health plans became popular more than a decade ago. Now with the addition of the COVID-19 pandemic and the shuttering of more than 100,000 businesses, millions of workers have lost their employer-sponsored health insurance altogether. As a result, an increased financial burden has been placed on patients and providers.

PRE-PANDEMIC: CHALLENGES FOR PATIENTS AND PROVIDERS

55% Average increase in premiums for employer-sponsored family coverage over the past 10 years[1]

79% Average increase in deductibles over the past 10 years[2]

#3 Patients have become the third largest payer, just behind Medicare and Medicaid

35% Portion of provider revenue coming from patients[3]

POST-PANDEMIC: CHALLENGES FOR PATIENTS AND PROVIDERS

14.6M Million workers and their dependents have lost employer-sponsored health insurance[4]

70% Of health leaders expect an increase in self-pay consumers and Medicaid beneficiaries, along with a reduction in commercial reimbursement[5]

-7% AMA predicted providers margins could sink to as low as -7%[6]

Once vaccinations have reached appropriate levels, demand for elective procedures will likely surge. An article by McKinsey & Company suggests that hospitals will be working through a backlog of deferred cases for well over a year.[7] Another study suggests that the backlog on joint and spine surgeries alone—estimated to be more than a million—could take 16 months to get through.[8] Hospitals need the money these procedures can create in order to recoup the billions in lost revenue from their deferral during the pandemic.

WHAT WILL THE NEW NORMAL LOOK LIKE?

- Patients who had elective procedures canceled will be anxious to get them scheduled.
- Rescheduled surgical procedures may be more complex or urgent for conditions that deteriorated during the deferral.[9]
- Hospitals may need to increase utilization by more than 75% to allow for more daily surgical cases to work down the backlog.[10]

IMPACT OF COVID-19 ON PATIENT COLLECTIONS

Providers have had to make hard decisions since the pandemic began in an effort to keep their doors open. The elimination of elective surgeries, especially, has had a devastating impact on revenue, causing many to turn to staff furloughs, pay cuts, and reduced hours to make ends meet. But when surges in cases and admissions rose, providers had to call on retired nurses to help treat increased volumes.

Eliciting Insights recently asked health leaders across the country how the pandemic had impacted their organizations and what they are doing to cope:[11]

PATIENT COLLECTION SURVEY RESULTS

84%	Providers that have experienced a reduction in cash collections due to the pandemic
88%	Providers who say patient collections is a top revenue cycle priority
79%	Providers who say payment plans are the top-utilized program both pre- and post-service

CHANGES TO COLLECTION PROCESSES DUE TO COVID-19

45%	Pushed payment due dates out one or more months
43%	Delayed bad-debt placements
31%	Increased financial assistance offerings
13%	Offered larger discounts to patients
3%	Stopped sending out statements

IMPACT OF PATIENT FINANCIAL RESPONSIBILITY ON CONSUMERS

Even before the COVID-19 pandemic, 40% of Americans surveyed said they would be unable to cover a $400 emergency with cash, savings, or credit.[12] In fact, SPAI (self-pay after insurance) patient balances below $1,200 have a payment rate of just 40.1% according to an analysis of provider data conducted by Crowe Horwath.[13] The rate drops dramatically as balances increase; for accounts between $5,001 and $7,500 the payment rate is just 10.2%.

SURVEY OF AMERICANS REGARDING HEALTHCARE COSTS[14]

40% Were afraid of the cost of getting a serious illness

40% Had skipped recommended medical tests or treatment in the previous 12 months due to cost

32% Could not fill a prescription or took less of the medication due to cost

53% Said healthcare costs caused them to do at least one of the following:

- 36% - depleted their savings
- 32% - took on credit card debt
- 30% - had to choose between paying for basic necessities or medical bills

Using aggressive collections tactics to obtain payments from patients—especially during and after a pandemic—are not likely to work.

SURVEY OF INDIVIDUALS WHO HAD BEEN ADMITTED TO A PROVIDER OR VISITED AN EMERGENCY ROOM IN THE PREVIOUS 12 MONTHS[16]

57%	Would like a payment plan offered before or at the time of service
35.5%	Would like to be offered a plan when they get their first bill
31.2%	Were not planning to pay their bill at all but would consider using a payment plan in the future

Making it easier for patients to pay their medical bills ensures they can afford the care they need when they need it. This can improve outcomes, reduce costs, no-shows and cancellations, and enhance the patient experience.

DESIGNING A CONSUMER-CENTRIC PAYMENT STRATEGY

The most successful approach to patient collections is to make it easier for patients to pay, which in turn, makes it easier for providers to collect. This means giving patients options that meet their specific financial needs, just as they've come to experience with their retail purchases.

Another survey found that consumers would be more likely to pay their financial responsibility sooner if providers offered more flexible payment options.[15] Consumers also reported this would improve their healthcare experience.

TOP PATIENT PAYMENT PROGRAMS

Providers typically use three common payment plan strategies:

- In-house plans
- Outsourcing to a recourse lender
- Outsourcing to a non-recourse lender

76% of patients surveyed who use payment plans say they plan to pay their bills in full and on schedule.[17]

IN-HOUSE PAYMENT PLANS

Providers aren't banks. They typically lack the resources and expertise that long-standing financial institutions have developed through decades of experience. For hospitals with less than 30 days cash on hand, adding an in-house payment plan program could actually return a negative impact on cash flow.

The bottom line is that providers shouldn't have to spend their resources managing multimillion-dollar consumer debt portfolios, especially during a pandemic; they should consider using third-party financing programs instead.

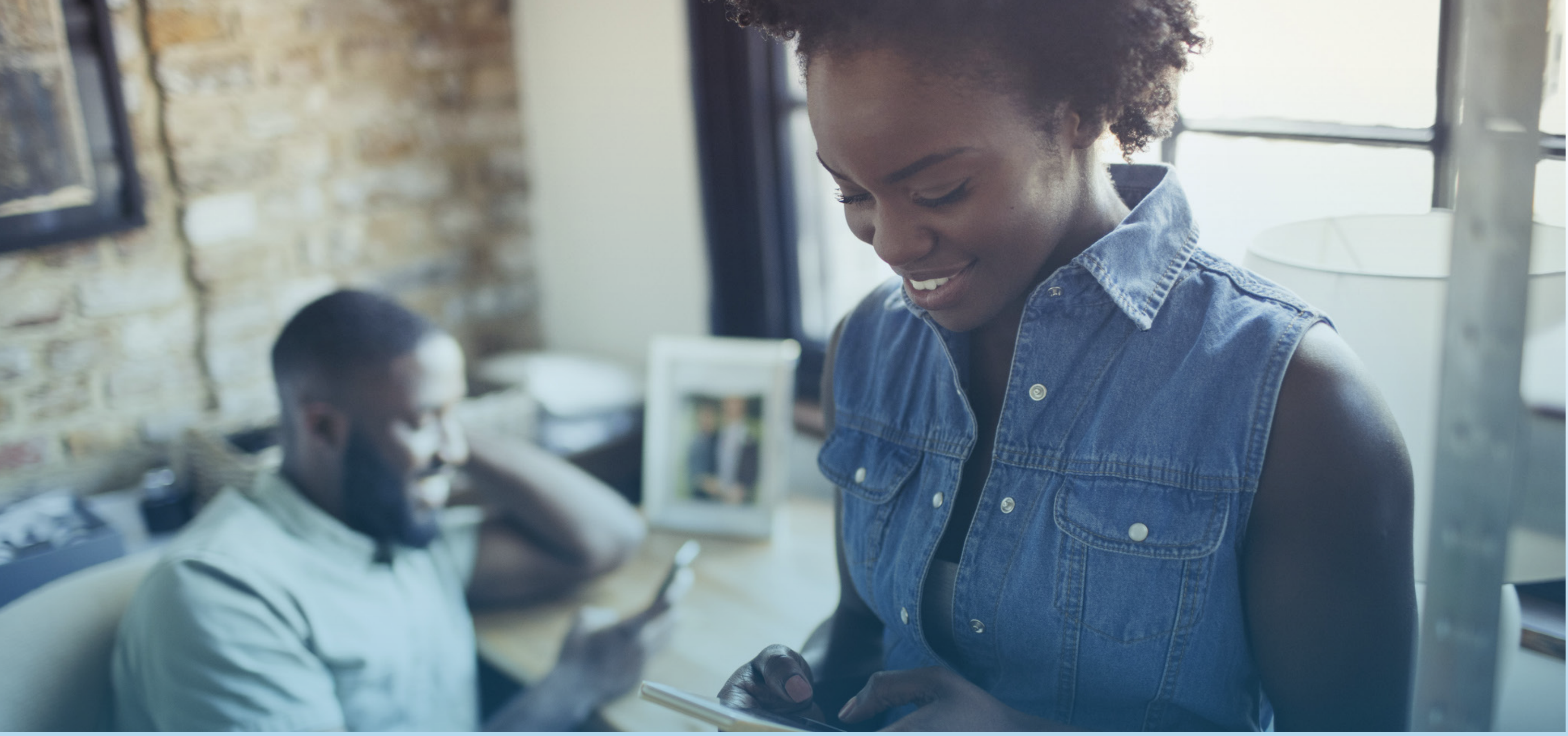
THIRD-PARTY FINANCING PROGRAMS

Outsourcing payment plans to a third-party lender is a great option for a number of reasons. A third-party lending program can be implemented much quicker than an in-house solution, it requires fewer resources, and it can bring a faster return on investment.

But which option is right for you? Compare these patient financing strategies below:

Program	Collection Results	Hospital Resources	Best Fit Hospitals	Program Pros	Program Cons
Payment Plans	$	3 of 3	• Strong cash position • Expert revenue cycle department	• Comfortable • Self-administrated by hospital staff	• Difficult to manage • May take years to recoup unpaid balances
			No cash acceleration. Liabilities remain on hospital balance sheet.		
Recourse Lending	$$	2 of 3	• Investment-grade hospitals	• Cash acceleration • Lower fee vs. non-recourse lending	• Patient default exposure • Recourse reconciliation is painful
			If the patient defaults, the **hospital** takes back the account balance.		
Non-Recourse Lending	$$$	1 of 3	• All hospitals - no reserve required	• Cash acceleration • Higher netback vs. recourse lending	• Higher fee vs. recourse • Need to understand underwritting
			If the patient defaults, the **lender** is on the hook, not the hospital.		

A non-recourse lending program is a good option for providers that lack capital necessary to maintain contingent liability for a recourse lending program. Those with below-average collection rates or limited billing capacity are also a good fit. A non-recourse program is also beneficial for providers wishing to reduce self-pay liability.



THE TIME TO ACT IS NOW

Providers wrote off $617 million more in bad debt in 2018 compared to 2015, resulting in $56.5 billion in total hospital bad debt.[18] It is yet to be seen how the COVID-19 pandemic will impact this trend. One thing is certain: the economic fallout of the pandemic may last well beyond 2021. Providers need to do all they can now to make it easier for their patients to pay—and for themselves to collect—during these difficult times and beyond.

Below are key questions you should consider when selecting a patient financing service provider:

1. Is the lender recourse or non-recourse?
2. Is the patient's credit rating taken into consideration?
3. What amount of the patient's account balance will the lender cover?
4. What triggers the funding from the lender? When would the hospital receive payment?
5. Are there interest or hidden fees to the patient?
6. Does the lender return slow pay / no pay borrowers back to the hospital?
7. How compassionate is the lender in their patient communications?
8. Can the borrower's loan be made available to other family members or be used in future procedures?

> **46% of providers surveyed use a third-party patient loan program; of those, 94% say third-party loan programs are an effective way to improve both cash collections and patient satisfaction.[19]**

ABOUT IVITA FINANCIAL

iVita Financial 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 | **$0** fees | **3** years

Features of the Healthcare Line of Credit

- 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
- Receive funding every Monday

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

* Program terms and conditions apply.

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

98% of patients that enrolled in iVita Financial's 0% interest, non-recourse lending program have gone through with their procedure.[20]

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.

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