



WHITEPAPER

How to Make Financial Performance More Predictable and Sustainable with Non-Recourse Patient Financing



Executive Summary

This whitepaper examines the challenges faced by healthcare organizations in promptly collecting patient bills and their adverse effects on both the patient experience and the provider's brand. We explore the role of non-recourse patient financing as a highly effective alternative to traditional collection methods, highlighting its numerous benefits in terms of revenue optimization, risk mitigation, cash flow improvement, and streamlined revenue cycle management. Moreover, we analyze how non-recourse patient financing positively impacts financial forecasting, reduces the need for costly collections, and facilitates efficient resource management. Additionally, we emphasize the significant contribution of non-recourse patient financing to long-term financial sustainability, strategic growth, and investment opportunities in critical areas of care.

Non-recourse patient financing has become an essential component of a healthcare organization's financial performance, providing a reliable and predictable revenue stream while enhancing financial forecasting, mitigating bad debt risks, improving cash flow, and reducing the burden of collections. By implementing a non-recourse patient financing program, healthcare providers can prioritize the delivery of quality care while ensuring financial stability and long-term success. Drawing from the insights presented in this whitepaper, we strongly recommend healthcare organizations consider integrating non-recourse patient financing into their revenue management strategy. Key considerations include carefully evaluating and selecting a non-recourse patient financing partner based on their reputation, compatibility with existing systems, contract terms, and pricing structures. Seamless integration with revenue cycle management systems, along with comprehensive staff training and change management programs, are essential for a smooth transition. Compliance with regulations and ongoing monitoring of vendor performance are also vital for success. By leveraging non-recourse patient financing, healthcare organizations can enhance patient satisfaction, improve financial performance, and foster long-term sustainability in an increasingly competitive healthcare landscape.



Non-recourse patient financing programs have emerged as a solution to the challenges of prompt payment in healthcare, offering a way to improve financial performance, enhance patient satisfaction, and strengthen the brand reputation of healthcare organizations. By leveraging non-recourse patient financing, health systems can establish a more predictable and reliable revenue stream from self-pay accounts, leading to improved financial forecasting and reduced uncertainty associated with unpaid bills. This proactive approach also mitigates the risk of bad debt, as the financing company assumes the responsibility of managing and collecting patient payments. As a result, healthcare providers can focus on delivering high-quality care without the administrative burden of collections. Additionally, non-recourse patient financing offers affordable payment options that reduce the need for costly collections efforts, leading to streamlined revenue cycle management and enhanced cash flow. With a non-recourse patient financing program in place, healthcare organizations can optimize their financial resources, invest in critical areas of care, and ensure long-term sustainability in an ever-evolving healthcare landscape.

The Challenges of Prompt Payment in Healthcare

Prompt payment in healthcare poses significant challenges for health systems, impacting their financial stability, patient experiences, and brand reputation. Delayed or unpaid payments can strain revenue streams, limiting resources for quality care. Patients facing difficulty in paying medical bills promptly experience heightened stress and anxiety, negatively affecting their well-being and satisfaction. This can erode trust and loyalty toward the healthcare provider. Brand implications are also at stake, as efficient and empathetic financial handling is crucial for maintaining a positive reputation. Aggressive collections or billing disputes tarnish the perception of the brand and deter potential patients. Addressing prompt payment challenges is vital for financial stability, positive patient experiences, and maintaining a strong brand image in the healthcare industry.

Non-recourse patient financing plays a vital role in maximizing revenue, minimizing bad debt, reducing administrative burdens, and enhancing patient satisfaction.

The Role of Non-Recourse Patient Financing

The role of non-recourse patient financing is crucial in modern healthcare systems. It involves partnering with a specialized financing company to provide patients with accessible options to manage their medical expenses. Non-recourse patient financing offers affordable payment plans, loans, or credit options tailored to patients' needs. This approach relieves the burden on patients by allowing them to spread out the cost of their healthcare over time.

The benefits of non-recourse patient financing are substantial. It enables healthcare organizations to maximize revenue by converting self-pay accounts into a reliable income stream. By partnering with a financing company, providers can minimize the risk of bad debt and reduce the administrative complexities

associated with collections. Moreover, non-recourse patient financing enhances patient satisfaction and loyalty, as it offers financial flexibility and affordability, ensuring that financial concerns do not hinder access to necessary healthcare services. Overall, non-recourse patient financing plays a vital role in improving financial outcomes, optimizing revenue, and delivering a positive patient experience.

The key difference between recourse and non-recourse lenders is the risk shared between the provider and the lender.

Types of Third-Party Financing

In the realm of healthcare lending, two primary types of lenders exist recourse lenders and non-recourse lenders. While both provide patients with extended payment terms and manage the payment process, the crucial distinction lies in the risk shared between the hospital and the lender.

CHOOSING A HEALTHCARE-FOCUSED LENDER PARTNER

PAYMENT PARTNERS: DIFFERENT AND UNEQUAL PATHS

THREE TYPES OF EXTENDED PAYMENT PARTNERS

GOOD RECOURSE LENDER	BETTER LIMITED NON-RECOURSE LENDER	BEST FULL NON-RECOURSE LENDER
<ul style="list-style-type: none">✓ Extends payment terms to patients✗ Pays hospital only when patient makes payment✗ Uncollected debts remain hospital's responsibility✗ Takes on no amount of bad debt risk	<ul style="list-style-type: none">✓ Extends payment terms to patients✓ Pays upfront to permanently acquire debt from hospital✓ Uncollected debts are lender's responsibility✗ Takes on limited amount of bad debt risk	<ul style="list-style-type: none">✓ Extends payment terms to patients✓ Pays upfront to permanently acquire debt from hospital✓ Uncollected debts are lender's responsibility✓ Takes on the most amount of bad debt risk

Recourse Lenders

Recourse lenders may offer lower upfront costs to hospitals, but they shift the debt-related risks entirely onto the hospital itself. This means that any unpaid loans are returned to the hospital as bad debt, which can have a negative impact on overall collections despite the initial cost savings. While the majority of patients do repay their loans, historically around 15% to 20% of accounts are returned to the provider.

When accounts are returned to the hospital, the lender retrieves the past-due debt and reverses the money previously paid. The responsibility to collect these unpaid debts falls upon the providers. As a result, hospitals face additional costs and complexities in the revenue cycle. Finance teams have to manage extra workflows to reconcile account balances and hold escrow reserves to account for potential recourse returns in the future.

This reliance on recourse financing introduces challenges and complexities for hospitals, as they need to allocate resources and efforts toward managing and collecting these debts. It underscores the importance of carefully evaluating the trade-off between lower upfront costs and the potential risks and administrative burdens associated with recourse lending in the healthcare industry.

Non-Recourse Lenders

Non-recourse lenders assume the entirety of the risk associated with acquired debt, ensuring hospitals are relieved of the burden. However, it is important to note that not all non-recourse lenders operate under the same framework. There are two distinct types: limited non-recourse and full non-recourse lenders. Limited non-recourse lenders mitigate risk by acquiring patient payment obligations based on a restricted credit profile, focusing on patients who are more likely to fulfill their financial responsibilities. On the other hand, full non-recourse lenders extend payment and credit options to all patients, with minimal additional restrictions. For instance, they may offer 0% financing to patients regardless of their credit history.

Opting for non-recourse lenders provides healthcare providers with financial security by shielding them from patient defaults. By contrast, recourse financing exposes providers to the complexities and costs of loan defaults and collections. By implementing non-recourse patient financing, healthcare organizations can improve patient access to care by offering accessible financing options,

which leads to increased patient satisfaction, retention, and positive reviews. Furthermore, non-recourse patient financing alleviates administrative burdens on providers as financing and collection responsibilities are transferred to the financing company allowing providers to prioritize delivering high-quality care.

Affordable payment options ensure a steady flow of revenue from self-pay accounts.

Predictable and Reliable Revenue Stream

Non-recourse patient financing plays a pivotal role in providing healthcare organizations with a predictable and reliable revenue stream. By offering patients flexible payment options and financing plans, healthcare providers can ensure a steady flow of revenue from self-pay accounts. Unlike relying solely on patient collections, which can be unpredictable and subject to delays or non-payment, a non-recourse patient financing program enables healthcare organizations to receive upfront payments from a third-party financing company. This unlocks a host of benefits, including:


- Improved Financial Forecasting
- Risk Mitigation of Bad Debt
- Greater Focus on Quality Care Delivery
- Enhanced Cash Flow and Reduced Collection Efforts
- Affordable Payment Options That Empower Patients & Improve Access to Care
- Streamlined Revenue Cycle Management
- Opportunities for Strategic Growth & Expansion
- Improved Patient Satisfaction and Loyalty

Non-recourse patient financing provides greater visibility into revenue streams and improves financial forecasting.



Improved Financial Forecasting

With upfront payments provided through non-recourse patient financing, healthcare organizations can forecast and project their expected revenue more accurately, enabling them to make informed financial decisions and allocate resources efficiently.



Third-party financing partners assume the risk of non-payment, reducing the financial burden on the provider.



Risk Mitigation of Bad Debt

When patients are unable to pay their medical bills in full or on time, it can lead to substantial financial losses for providers. A non-recourse patient financing program pays the healthcare organization in full upfront and transfers the responsibility of managing and collecting patient payments to the third-party financing company. The financing partner assumes the risk of non-payment, reducing the financial burden on the healthcare provider. This proactive approach to risk mitigation safeguards the provider from incurring bad debt and the associated costs of collections efforts.

Focus on Quality Care Delivery

Non-recourse patient financing plays a significant role in enabling healthcare providers to focus on delivering high-quality care to their patients. By partnering with a third-party financing company, healthcare organizations can offload the administrative burden associated with managing patient payments and collections, and the additional revenue captured from non-recourse financing programs can be allocated toward strategic investments in critical areas of care. These investments can include upgrading medical equipment, expanding facilities, implementing advanced technology solutions, and hiring skilled healthcare professionals. The availability of financing options also encourages patients to seek necessary treatments and procedures, leading to improved patient outcomes and increased patient volume and revenue.



Enhanced Cash Flow and Reduced Collection Efforts

By offering patients the flexible payment options and financing plans a non-recourse financing lender provides, hospitals improve their cash flow by receiving timely and upfront payments. Rather than relying on traditional collection methods, which can be time-consuming and uncertain, non-recourse patient financing ensures a more predictable and consistent inflow of revenue. This helps hospitals to better manage their operational expenses, invest in necessary resources, and maintain financial stability.

Additionally, a non-recourse patient financing program reduces collection efforts for hospitals. When patients have the option to finance their medical expenses, they are more likely to make regular and timely payments, minimizing the need for extensive and costly collections activities. The responsibility of managing patient payments and collections is transferred to the financing company, allowing hospitals to focus on providing quality care instead of dedicating resources to chasing outstanding payments.

Non-recourse patient financing enhances affordability for patients and increases their access to healthcare.

Affordable Payment Options Empower Patients & Improve Access to Care


Affordable payment options for patients are a key component of non-recourse patient financing programs in healthcare. They not only enhance affordability for patients but also increase their access to necessary healthcare services by reducing financial barriers. These options empower patients to manage their medical expenses in a way that fits their financial circumstances and preferences. Affordable payment plans allow patients to spread out the cost of their healthcare services over an extended period, breaking down the financial burden into manageable monthly installments. Additionally, patients may have the option to choose different payment methods, such as credit cards, debit cards, or automatic bank transfers, based on their preferences and personal financial situation. By offering affordability in payment arrangements, healthcare providers demonstrate their commitment to patient-centered care and foster a positive patient experience.

Streamlined Revenue Cycle Management

By integrating a non-recourse patient financing program into their operations, providers can optimize the entire financial workflow from patient billing to payment collection. These programs offer efficient and user-friendly tools for generating patient statements, managing payment plans, and tracking outstanding balances. By leveraging technology and digital platforms, non-recourse patient financing simplifies the billing and payment process for both patients and providers, reducing manual errors and paperwork. This streamlined approach enhances operational efficiency, accelerates revenue generation, and reduces administrative costs associated with revenue cycle management, ultimately contributing to the overall financial health and sustainability of the organization.

Non-recourse patient financing attracts more patients and increases patient volumes.





Non-recourse patient financing helps providers allocate their resources more effectively.

Strategic Growth and Expansion

Non-recourse patient financing plays a vital role in supporting hospitals with strategic growth and expansion initiatives. By offering a non-recourse patient financing program, hospitals can attract a larger patient base and increase their revenue streams, providing the financial foundation necessary for growth. Non-recourse patient financing options make healthcare services more accessible and affordable, reducing financial barriers that may otherwise deter patients from seeking treatment. This expanded patient base not only drives revenue growth but also creates opportunities for hospitals to expand their facilities, services, and specialty areas. With

the additional revenue generated from non-recourse patient financing, hospitals can invest in new technology, hire more staff, and improve infrastructure to meet the growing demands of their patient population. This strategic growth and expansion enable hospitals to provide a wider range of high-quality services, enhance their reputation, and gain a competitive edge in the healthcare market. Non-recourse patient financing thus serves as a catalyst for strategic growth, enabling hospitals to achieve their long-term objectives and establish themselves as leaders in the industry.

Patient Satisfaction and Loyalty

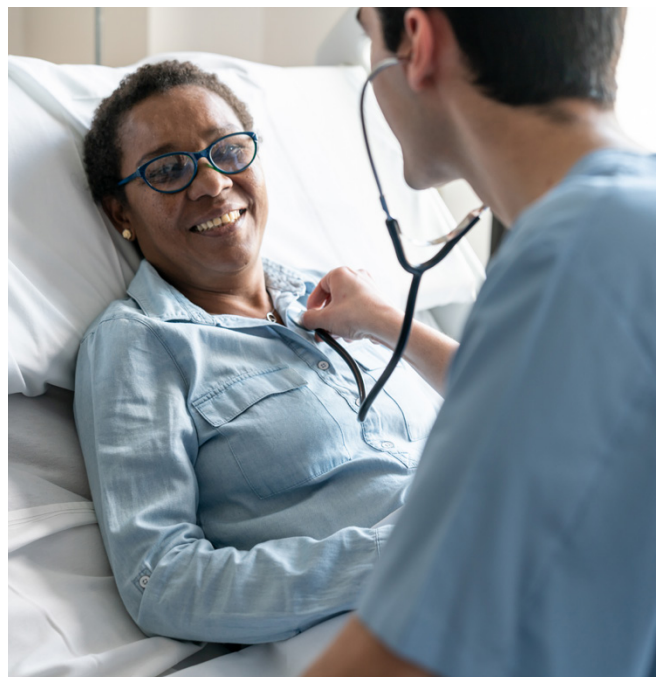
Patient satisfaction and loyalty are vital for the long-term financial sustainability of hospitals. Non-recourse patient financing plays a crucial role in achieving these outcomes by addressing financial barriers, reducing stress, improving access to care, and making medical expenses more affordable and manageable for patients.

When patients have positive experiences and feel financially supported, they are more likely to remain loyal to their healthcare provider. This loyalty translates into consistent patient volume and a reliable revenue stream for hospitals. Additionally, loyal patients become advocates and refer others to the hospital, contributing to new patient acquisition and expanding the patient base.

By prioritizing patient satisfaction and loyalty, hospitals can reduce patient churn and retain market share. This stability and continuity in patient relationships lead to improved financial performance and sustainability.

Furthermore, satisfied and loyal patients are more likely to comply with recommended treatment plans, follow-up appointments, and engage in preventive care. This results in better health outcomes and reduced healthcare costs over the long term.

Overall, by focusing on patient satisfaction and loyalty, hospitals can establish a strong foundation for ongoing success, increased patient retention, and sustainable financial growth.



Summary: Non-Recourse Patient Payment Financing is Key to Long-Term Financial Sustainability

Non-recourse patient financing plays a pivotal role in supporting hospitals' long-term financial sustainability. By implementing a non-recourse patient financing program, hospitals can optimize revenue generation, enhance cash flow, and reduce bad debt. Non-recourse patient financing allows hospitals to capture and maximize revenue from self-pay accounts, ensuring a reliable and consistent stream of income. This proactive approach to financial management minimizes the risk of unpaid bills and mitigates the impact of bad debt on the hospital's financial health. Furthermore, non-recourse patient financing programs improve patient access

to care by offering flexible and affordable payment options, which can attract more patients and increase patient volume. This, in turn, leads to higher revenue and improved financial stability. By partnering with a non-recourse patient financing company, hospitals can also offload the administrative burden of managing patient payments and collections, allowing staff to focus on delivering quality care. Ultimately, non-recourse patient financing contributes to the long-term financial sustainability of hospitals by optimizing revenue, enhancing cash flow, and improving operational efficiency.

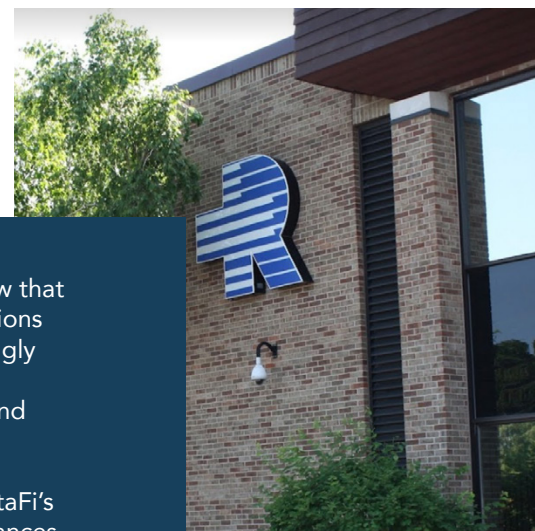
Implementation Considerations

When implementing non-recourse patient financing, there are several important considerations that healthcare organizations should keep in mind. Evaluating and selecting non-recourse patient financing partners is a critical step. It involves:

- Assessing the vendor's reputation and track record, including their experience in the healthcare industry and their success in managing non-recourse patient financing programs
- Verifying compatibility with existing systems and processes to ensure seamless integration and minimal disruption to current operations
- Evaluating contract terms and pricing structures to understand the financial implications and ensure the partnership aligns with the organization's goals
- Ensuring easy integration with revenue cycle management systems, which is vital for efficient billing and payment processes
- Staff training and change management efforts, which should be undertaken to ensure that healthcare providers and administrative staff are equipped with the necessary knowledge and skills to effectively implement and utilize the non-recourse patient financing program
- Making compliance with regulatory requirements, such as privacy and data security laws, a priority to protect patient information and maintain legal and ethical standards

These implementation considerations will help healthcare organizations integrate non-recourse patient financing into their operations and maximize the benefits for both patients and the organization.

Non-recourse Patient Financing Success Story



Founded in 1902, RAMC has a long tradition of service to the community. They knew that even under the best circumstances, insurance, billing, and other financial considerations can cause confusion for patients. Now that healthcare payment liability has increasingly shifted to patients due to the exponential growth of high-deductible health plans, along with rising consumerism, it has become important for RAMC to offer simple and accessible patient payment options.

RAMC began to investigate non-recourse patient financing options and selected iVitaFi's all-digital, non-recourse patient lending program that can be extended to other balances or family members. Patients are offered a 0% interest line of credit with affordable payments over time, regardless of their account balance or credit history. The program fosters lasting relationships with patients because individuals continue to seek care with a health system that makes it easier to pay.

iVitaFi's top initiatives for Reedsburg Area Medical Center:

- **Alleviate the emotional and financial burden of out-of-pocket expenses on patients.**
Provided patients with the option to enroll in a 0% non-recourse patient financing program with affordable payments over time.
- **Increase collections and speed up payments.**
Fully fund RAMC for each account enrolled in the program upon patient discharge.
- **Improve patient satisfaction**
Patients do not have to delay care and can afford to seek care.

With iVitaFi, RAMC exceeded its revenue goals including:

- Self-Pay A/R decreased \$250,000
- Bad debt % of gross revenue dropped 10% points
- Self-Pay collection rates increased 5% within the first 3 months

Not only does the partnership with iVitaFi help RAMC's patients, but it also benefits the revenue cycle department. iVitaFi's digital lending program integrates with RAMC's existing workflows at pre-registration, point-of-service, and post-billing. The program fully funds the hospital right away for each account, after which iVitaFi works directly with the patient to collect on the credit line. This accelerates cash flow for the medical center and improves liquidity while reducing A/R days and bad debt expense – all of which ultimately strengthen operational margins.

“Through our partnership with iVitaFi, we were able to provide our patients with a financing program that helped them get the care they needed and deserved. Within the first 6 months of the start of the program, self-pay A/R has decreased by \$250,000, and bad debt % of gross revenue dropped by 10%.”

Peter Frutiger, Director of Revenue Cycle, Reedsburg Area Medical Center

The Path Forward

Looking ahead, the future outlook for non-recourse patient financing is promising, as more hospitals and health systems are recognizing its potential and adopting it as an alternative to traditional collection methods. As technology continues to advance, non-recourse patient financing solutions are likely to become more sophisticated and tailored to meet the evolving needs of patients and health systems, further enhancing financial outcomes and the overall patient experience.

Key takeaways

- Prompt payment issues have a significant financial impact on hospitals and health systems, negatively affecting the patient experience and brand reputation.
- Implementing a non-recourse patient financing program, hospitals and health systems can enhance revenue generation, reduce bad debt, improve cash flow, and streamline billing processes.
- Non-recourse patient financing programs have a positive impact on patient satisfaction and loyalty by offering affordable payment options, transparent communication, and personalized financial counseling.



Sources

¹ "National Hospital Flash Report," Kaufmanhall.com, March 2022 (<https://www.kaufmanhall.com/sites/default/files/2022-03/National-Hospital-Flash-Report-March-2022.pdf>)

¹ "Patients are the new payers in healthcare," Healthcare IT News, February 6, 2018 (<https://www.healthcareitnews.com/news/patients-are-new-payers-healthcare>)

¹ "Harnessing the self-pay opportunity," Modern Healthcare, March 1, 2022 (<https://www.modernhealthcare.com/technology/harnessing-self-pay-opportunity>)

¹ "Americans' Challenges with Health Care Costs," KFF, December 14, 2021 (<https://www.kff.org/health-costs/issue-brief/americans-challenges-with-health-care-costs/>)

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

