June 2017 – Vol. 33 No. 6
Published for Healthcare Providers by ACA International
www.acainternational.org

pulse

How High-Deductible Health Plans Influence Providers' Collections

The prevalence of high-deductible health plans and a growing gap between self-pay and insured patients are continuing to influence healthcare providers' collections on their accounts, according to a new report, "Revenue Recognition and High-Deductible Plans: The Greater the Patient Portion, the Lower the Collections," prepared by Crowe Horwath, LLP.

"In what appears to be an ongoing evolution of self-pay customers, the collections gap between uninsured accounts ('true self-pay') and the patient responsibility portion on insured accounts ('self-pay after insurance' or SPAI) is widening," according to the report.

Crowe Horwath analyzed a sample of 172 hospitals in its benchmarking database to determine the number of hospitals separating patients into payer groups, including "true self-pay" and "self-pay after insurance."

It found that 74 percent of those hospitals, each with more than 125 beds, separate patients into the two payer groups.

Collections from patients with "very" high-deductible health plans are becoming similar to those of traditional uninsured patients in some cases, according to the findings in the report.

"The Crowe benchmarking data reveals that true self-pay patients generally pay approximately 6.06 percent on the dollar, while self-pay after insurance patients pay approximately 15.51 percent overall," according to the report.

Overall, more consumers have enrolled in high-deductible health plans over the last two years and healthcare providers are struggling to secure the amounts owed by patients.

"The percentage of collections on patients with account balances greater than $5,000 is four times lower than collections on low-deductible plan patients," according to the report.

"Hospitals have traditionally separated insured patients and uninsured patients into different portfolios when conducting financial analysis," said Brian Sanderson, managing principal of Crowe healthcare services group. "However, recent findings indicate that very high-deductible plan customers may pay at a rate more similar to that of uninsured patients."

Crowe Horwath also analyzed self-pay after insurance accounts based on inpatient or outpatient services.

Key findings on inpatient self-pay after insurance include:

- Patient account balances less than $1,200 have a payment rate of 40.1 percent.
- The payment rate drops significantly—to 17.6 percent—near the inpatient Medicare deductible amount of $1,201 through $1,450, where Medicare bad debt may have implications on collections, according to Sanderson.
- The payment rate for higher-deductible health plans with balances of $1,451 through $5,000 is 25.5 percent.
- The payment rate drops to 10.2 percent for balances of $5,001 through $7,500, 4.1 percent for $7,501 through $10,000, and 0.9 percent for accounts with a self-pay balance at more than $10,000.

Findings on outpatient self-pay after insurance payments also vary significantly across different segments, according to the report:

- The average self-pay payment is 18.2 percent across all outpatient accounts receivable (AR).

continued on page 2

PAYMENT TRENDS:

How to Respond to Patient Demands in the Changing Healthcare Market

The U.S. healthcare market continues to change based on patient demand for price transparency, the shift in patient responsibility for medical bills, data security among healthcare providers and more, according to a report from InstaMed, "Trends in Healthcare Payments Sixth Annual Report: 2015."

The annual report includes data from more than "$165 billion in healthcare payments volume on the InstaMed Network, which connects over two-thirds of the healthcare market. The data represented was processed between 2012 and 2015."

According to the report, consumers are influencing change in healthcare payments through sensitivity to how much they are spending on medical costs and how they receive information on what they owe.

The market is also influenced by the greater number of consumers with health insurance and how they are accessing it.

Open enrollment through the Affordable Care Act could reach 40 million consumers through the public and private exchanges by 2018, and many of those consumers will have health insurance for the first time, according to the report.

"This influx of consumers to the healthcare market, coupled with new [Affordable Care Act] plan requirements, has changed how payers do business," it states.

Consumers are interacting more with payers directly instead of a third-party to manage payments.

As a result, payers need to evaluate services to collect payments and issue bills to consumers.

"Payers have to build the technical and operational infrastructure to receive individual premium payments and ensure accurate posting and reconciliation. Consumers are faced with the addition of a new, monthly household bill with premium payments."

Findings from InstaMed's data analysis show consumer payments to providers included in the InstaMed Network grew 94 percent from 2012 to 2015 and by an average of 25 percent each year.

Patients also want to know their expected healthcare costs more from providers at the time of service.

In 2015, nine out of 10 consumers said it was important to know their expected costs before a visit to their healthcare provider, according to the report.

"The need is for consumers to understand an estimate of what they will actually pay based on their benefit information which can include variables like their deductible, copayments and coinsurance," it states.

In 2015, the majority of consumers (77 percent) said they were confused by the Explanation of Benefits they receive from their health plan provider, according to the report.

"The confusion continues when the consumer receives a bill from their healthcare provider for their payment responsibility, which is often printed and mailed weeks or months after a visit and does not clearly indicate what is due or how to pay."

Consumers also report they will switch healthcare providers based on the cost and bill information they have; 47 percent said they "will switch providers for the ability to understand cost upon scheduling and to easily understand and pay a bill using a preferred method," according to InstaMed's report.

Additional findings in the report show consumers prefer to pay their household bills through digital formats.

"The digital experience offers consumers the freedom of choice to make payments whenever it is convenient for them," according to the report. "Seventy-five percent of consumers opt to pay their household bills through an online channel, such as a bank bill pay portal, website or mobile app."

InstaMed concludes in the report that consumers are a critical stakeholder in the healthcare market as their payment responsibility changes and payers and providers should focus on working together to simplify the payment process.

Healthcare providers should leverage best practices from other industries as a model for their patient payment systems.

"Make it simple for consumers to understand what a service will cost and then offer multiple payment options including automatic payments. By adopting electronic and automated payment channels, payers and providers can set the expectation upfront at the same time enabling faster time to payment. As the industry continues to grow rapidly, paper in the healthcare payments process will be unsustainable to any business model," InstaMed concludes. "There's never been more of a need for payers and providers to work collaboratively."

More information: *http://ow.ly/GV8E30bkd50*

MEDICARE:

CMS Proposes Rule to Update Medicare Admissions Policies

The Centers for Medicare and Medicaid Services (CMS) has issued a proposed rule that would update 2018 Medicare payment and policies when patients are admitted into hospitals.

"The proposed rule aims to relieve regulatory burdens for providers; supports the patient-doctor relationship in health care; and promotes transparency, flexibility, and innovation in the delivery of care," according to a news release from CMS.

CMS also released a Request for Information (RFI) on ideas for regulatory, policy, practice and procedural changes to guide the discussion on future regulatory decisions for inpatient and long-term hospitals.

CMS is accepting comments on the proposed rule and RFI until June 13, 2017.

"Through this proposed rule we want to reduce burdens for hospitals so they can focus on providing high quality care for patients," said CMS Administrator Seema Verma in the news release. "Medicare is better able to support the work of dedicated hospitals and clinicians who provide the care that people need with these more flexible and simplified approaches."

The news release also states, "CMS is committed to transforming the health care delivery system—and the Medicare program—by putting a strong focus on patient-centered care, so providers can direct their time and resources to patients and improve outcomes."

CMS is also proposing a one-year moratorium on "the payment policy threshold for patient admissions in long-term care hospitals while CMS continues to evaluate long-term care hospital policies" and a reduction in reporting requirements for hospitals using electronic health records.

More information: *http://ow.ly/VbhF30bk4ES*

High-Deductible Health Plans *cont. from page 1*

- A significant increase exists in the percent of self-pay after insurance outpatient AR residing in the $10,001 through $500,000 segment—from 14.6 percent of AR in 2015 to 29 percent of AR in 2016.
- The outpatient payment rate is 23.7 percent on AR between $1 and $5,000.
- The outpatient payment rate is 4.7 percent on AR between $5,001 and $7,500.

"While average patient balances for high-deductible plans increase, payment collections vary based on the size of the balance," the report concludes. "As healthcare providers analyze the 'realization' (i.e., the percentage of net revenue versus gross revenue) of their managed care contracts, they also should understand risks associated with high-deductible plans and should recalibrate their AR valuation and potential impacts on revenue recognition to account for these new market factors. Parsing accounts based on patient balance will prove a particularly insightful analysis for any finance team and likely will create a more reliable collectability factor based on historical experience."

More information: *http://ow.ly/SE7h30bk1O0*

NEWS & NOTES

Poll: Healthcare Providers Delay Collections

Forty-three percent of healthcare providers surveyed by the Medical Group Management Association are waiting between 91 and 120 days before sending a patient's account to a collection agency, *Becker's Hospital Review* reports. Thirty-two percent of respondents said they wait more than 120 days. *http://ow.ly/RvPn30banD4*

Report Shows Benefits of Medicaid

According to a report from The Commonwealth Fund, more than 70 million people have Medicaid, and about 12 million enrolled when states expanded eligibility for the program under the Affordable Care Act. The report "finds that the large majority of people who have Medicaid for the full year are able to get the healthcare they need." *http://ow.ly/U4Li30bkejE*

Healthcare Job Growth Slows

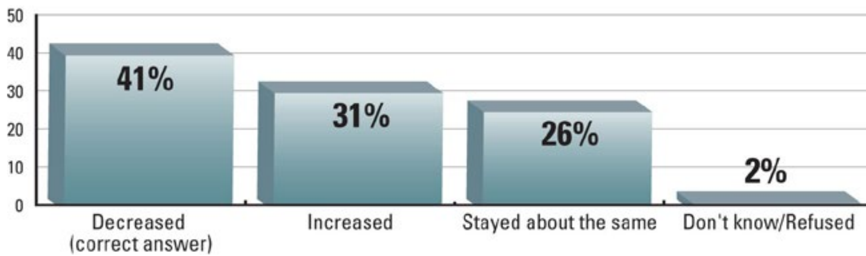
There were 13,500 new healthcare jobs in March 2017, making the first quarter of this year the slowest in job growth since the second quarter of 2014, according to the Altarum Institute and its Health Sector Economic Indicator report. First quarter growth this year, an average of 20,000 new jobs per month, is also "significantly" lower than 2015 and 2016. *http://ow.ly/KhXo30bkgjy*

For more healthcare collections news, visit ACA's Healthcare Collections page at *www.acainternational.org/pulse*.

datawatch

Affordable Care Act Misconceptions

The uninsured rate has declined to a historical low since the Affordable Care Act was passed but, according to The Henry J. Kaiser Family Foundation Health Tracking Poll conducted in March 2017, many consumers are not aware of this trend. Four in 10 respondents to the poll said the uninsured rate has declined; 31 percent of respondents said it increased; and 26 percent said it remained about the same, according to the tracking poll. According to the Centers for Disease Control and Prevention and National Center for Health Statistics National Health Interview Survey, the uninsured rate among consumers under 65 was 10.4 in the second quarter of 2016. In 2010, it was 18.2.



Altered by ACA International, based on Polling Data Note: 5 Misconceptions Surrounding the ACA, The Henry J. Kaiser Family Foundation, March 21, 2017.

Source: Data Note: 5 Misconceptions Surrounding the ACA, The Henry J. Kaiser Family Foundation, March 21, 2017. http://kff.org/health-reform/poll-finding/data-note-5-misconceptions-surrounding-the-aca/

pulse is a monthly bulletin that contains information important to healthcare credit and collection personnel. Readers are invited to send comments and contributions to:

Communications Department
ACA International
P.O. Box 390106
Minneapolis, MN 55439-0106
comm@acainternational.org

Note: Requests for reprints or additional information on material herein must be made through the ACA International member who sponsored your receipt of this publication.

Do we have your correct name, title and address? Please advise your sponsor of any corrections.

This information is not to be construed as legal advice. Legal advice must be tailored to the specific circumstances of each case. Every effort has been made to assure that this information is up to date as of the date of publication. It is not intended to be a full and exhaustive explanation of the law in any area. This information is not intended as legal advice and may not be used as legal advice. It should not be used to replace the advice of your own legal counsel.

© 2017 ACA International. All Rights Reserved.