BUSINESS CONSULT

SARAH WIRTH
Senior Consultant, ECG Management Consultants, Inc.

How Self-Pay Balances Are Threatening Your Revenue Stream

We all know that the financial pressures facing you and your colleagues are real. Declining reimbursement and rising costs are eating into your margins. When margins are tight, a well-managed revenue cycle needs to be a primary focus of your practice. The inability to effectively collect the dollars associated with performed services can quickly turn a profitable organization into one operating in the red. Collections processes built to support dated payor behavior may no longer be effective, and prudent organizations are proactively adjusting these processes before they can impact a group's liquidity. The shift in the financial responsibility of care, from payor to patient, is a lesser-known but equally important factor that will affect your practice's ability to convert receivables into cash, further impacting your bottom line.

The Changing Payor Landscape

Both employer- and individual-sponsored health insurance plans are mitigating the rising health care costs by passing them on to consumers, making patients more financially responsible for their healthcare utilization than ever before.

Employers, who are responsible for insuring about 60% of Americans, are cutting costs by utilizing cost-sharing measures, such as co-pays, deductibles, and co-insurances, and by decreasing overall benefit coverage. Exchange-based plans are expanding coverage to the uninsured; however, these plans have limited coverage and often pass the majority of costs onto the newly insured.

What does this mean for you? It means that patient contributions are going to become a meaningful source of income. No longer can providers bill a single entity (i.e., the insurance) and expect that the invoice will be paid in full. Your practice will now need to actively collect from patients to maintain the same cash flow. Therefore, if you haven't already, it's time to design and implement a thoughtful self-pay receivables management strategy.

Protecting Your Revenue Stream

In my experience, most billing offices treat self-pay balances identically to payor balances (i.e., staff will send invoices and make phone calls to follow up with a patient when there is nonpayment). Because self-pay invoices are generally high in number and low in dollars, it takes significant effort to successfully generate a positive return on investment. Therefore, self-pay balances are often ignored or written off. With the changing market and the anticipated increase in self-pay dollars, however, these invoices are increasingly more valuable.

The good news is that developing a successful self-pay receivables management strategy can be straightforward. Providers have multiple opportunities to collect payment from patients, both before and after services are rendered. Best practice self-pay strategies are able to leverage of all these opportunities to streamline collection efforts, decreasing the overall cost to collect.

Making it Easy

At a high level, you need to ensure that patients know what to pay and how to pay it. Patients often don't understand their bill, and this confusion can cause a myriad of problems, including increased customer service call volumes regarding billing inquiries, payment indecision, and increased rework to process incorrect payments (i.e., refunds or re-bills). Making a patient statement simple and easy to understand can be a great opportunity to reduce call volumes and dramatically improve self-pay collections.

Offering financing options and establishing payment plans can also be a successful strategy for collecting patient balances. Medical bills are often unplanned, and payment plans can be a very helpful tool to encourage payment from those who cannot satisfy a bill in one lump sum. Similarly, we know that the likelihood of collecting payment decreases over time, so providing the patient with financial incentives, such as a prompt pay discount, can improve overall collections.

Being Proactive

Your front-end staff play a pivotal role in collecting self-pay balances. However, providers are often hesitant to utilize these staff members as part of their collections strategy. Providers fear that discussing money prior to or directly after services are rendered will make patients uncomfortable.

On the contrary, patients are beginning to demand cost transparency, particularly for specialty care services like cardiology. Patient balance estimation tools have been extremely successful in promoting this cost transparency while also estimating self-pay balances when the patient is still in the office. These tools range from the simple to the complex, but they are designed to analyze historical charges, payor contract terms, and patient benefit levels in order to predict a patient's financial responsibility.

Research suggests that when given a good faith estimate, most patients are willing and able to pay up front for their medical care. Sample scripting, daily cash collection goals, and patient education flyers have proven to be simple and cost-effective ways to support a new pre-service collections strategy.

Getting Started

Your self-pay receivables management strategy doesn't need to be complicated. Ask a few questions to shed light on your office's current self-pay and self-pay after-insurance work flows. Remember that small changes can have significant impacts, especially as patients become more and more responsible for the cost of their care. The industry is changing, and it's important that your revenue cycle keep up. ■

Sarah can be reached at *swirth@ecgmc.com.*