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PERILS OF A SHIFTING PAYER LANDSCAPE AND THE MYTH OF THE POINT-OF-SALE PANACEA

Point-of-Sale processes, thought by some to be a panacea to the problems created by a rapidly shifting payer landscape, provide healthcare organizations with a very limited, incomplete solution. This paper discusses the POS myth and the hidden potholes that exist for today's providers.

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Health insurance product evolution has produced a major revenue cycle challenge for nearly every hospital and physician group. Patients' payment responsibility has grown by 300% in the last five years and most providers are only just beginning to experience the impact that this shift has on their finances and operations. As consumer-driver products (HSAs, HRAs and other plans with high deductibles and high levels of co-insurance) continue to gain traction with employer groups, some experts project patient payments as a percent of a provider's total revenue will increase to approximately 40 percent of revenue by 2012.

For providers, collecting patient responsibility dollars for services at the time of service is time consuming, cumbersome and expensive. It's also exceedingly difficult to reconcile patient payments when site payments are made. [So, it's not surprising that there's a direct link between the increase in patient responsibility for service and providers' increase in A/R and bad debt. In fact, provider bad debt has increased by 75 percent in four years (2001- 2005).]

Adding to this challenge is the fact that point-of-sale (POS) processes provide only a very small, incomplete solution. Providers are surprised to learn that in most offices, co-pays represent less than 15% of the total patient-pay balance due.

Of more concern to providers may be the possible PR damage generated by publicized legal action over this matter. Increased patient financial responsibility also means additional increased use (and cost) of call centers as providers attempt to reconcile service charges and reimbursements coming from multiple sources (payer and patient).

Today's Approach

Banks and non-bank financial institutions are looking at increased patient financial responsibility as a tremendous opportunity to capture new revenue streams. However, the payment solutions and information systems used in the retail and financial services industries today don't function as well in healthcare settings for patient payment at the point of service (POS). The challenge is to enact a real-time payment capture solution (with providers) that is dependent upon the output of batch claim processing systems (from payers).

Some banks and payment processors are looking at using the "Authorization & Hold" feature from MC/Visa. In this scenario, when the final charge is not known at POS an amount within the cardholders' spending limit is reserved for the transaction. The problem with applying this approach inside healthcare is that it's only good for 30 days and many claims are not adjudicated in this time frame. Furthermore, the availability of credit for most Americans has shrunk since the 2008 credit crisis. In addition, this "authorization hold" feature is currently only valid for certain industries such as rental car and hotels. Additionally, most providers/payer contracts don't allow providers to force patients to collect at the time of care or leave a credit card on file.

To make matters worse, even if the existing payment systems worked in healthcare, the provider is at a loss to know the amount to collect from the patient because, in most cases, this information resides in the payer's system. Even collecting co-pays at POS is becoming more difficult with tiered co-pays replacing the flat "one-size-fits-all" amount. Short of real-time claim adjudication, patient payment estimators are considered as a

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stopgap solution to this issue. Unfortunately, these solutions are only practical and affordable for the largest provider groups and facilities, if not provided by the payer or another third party.

In short, banks and non-bank financial institutions are not capable of providing the right solutions because they simply don't understand the healthcare ecosystem. Most financial institutions are more interested in selling/managing the Health Savings Accounts (HSAs) or collecting merchant processing fees, not in how they fit within the healthcare billing and payment systems. An example that illustrates this point is the post mortem from an industry analyst on American Express' withdrawal from providing an HSA payment solution (HealthPay Plus): "American Express may have underestimated the degree of investment that was required to play in the (health savings account) space, and it may have overestimated the speed of adoption that would occur. Complexities in a payment flow that involves insurers, employers, employees and health care providers, as well as in transaction verification, are challenges in the space."

The Right Solution

The right solution must bridge the gap between the need for "real-time" patient payment information and the realities of batch claim processing. A vendor trusted by both payers and providers, which has strong contextual relationships on a national scale must deliver it. This means proven experience with managing critical data and business processes between the payer and provider, and continued access to that data and workflows.

Critical success factors for a comprehensive patient financial responsibility solution include:

1. Support for post-adjudication adjustments and/or patient payments, which eases the administrative task of finalizing patient accounts
2. Integrated patient billing capability that easily manages the payment collection process for post-POS payments
3. Recurring billing, servicing and administration capability for patients who cannot or do not pay in full at POS – meaning nearly everybody.
4. Integrated multi-sponsor (payer agnostic) support for reconciliation of patient payments within practice management systems to eliminate time-consuming, manual processes in provider offices
5. Good fit for existing provider office workflow
6. Low/no requirement for additional staff or training
7. Patient-centric service model/vendor for simple, low/no cost implementation.

Conclusion

The data on trends with provider A/R and bad debt leave no doubt that patient payment responsibility has created financial hardships for providers and downstream problems for payers. The continued accelerated adoption of CDHP and high levels co-insurance over the next few years will exacerbate this problem to point where disruptions in relations and business operations will result for all parties. It's clear that payment

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systems used by banks and non-bank financial institutions do not support patient payments at POS. The right solution must address healthcare's unique data flows and complex rules and must be vendor and payer agnostic.

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For more information, please contact Gregory VandenBosch at 616/292-0321 or gvandenbosch@meddirect.net

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