

Rising Self-Pay: Causes & Effects

How increased patient
responsibility impacts
your revenue cycle



Setting the Stage

The regulations and mandates of healthcare reform have brought certain requirements and restrictions healthcare providers need to address. Most notably, those that impact revenue cycle management. Declines in reimbursement, new payer models, pay for performance, ICD.10 are among the factors leading to a specific and undeniable conclusion. **Self-pay has and will continue to rise.**

While providing quality care is and should be the priority of any reputable healthcare provider, generating revenue is paramount to sustaining quality services. Whether for profit or not, providers need adequate financial resources to bolster their ability to develop world-class talent and invest in cutting edge technology and facilities to serve their patient population.

Today as much as 50% of reimbursements will come from the patient. Not only are more patients paying out of pocket, the amount of money which they are responsible for is greater than ever.

This white paper highlights the factors which have a significant effect on self-pay and outlines a comprehensive revenue cycle approach for increased collections.

For the purposes of this white paper self-pay receivables are defined as balances due from the patient as a result of having no insurance, having a balance due after insurance (BAI), or for services that are not covered by insurance.

The Shifting Landscape

The financial landscape which providers have become accustomed to working within, has dramatically shifted. Healthcare exchanges, new payment models, declining reimbursement for several medical procedures, and a major redistribution of responsibility in the payer mix are among the key causes of this transformation.

The result is that your number three payer after Medicare and Medicaid is now the patient. If you are a non-profit, couple that with 501r and it's a "perfect storm". Healthcare providers must adjust their processes accordingly to ensure they can obtain the financial rewards of this new healthcare system. The future will magnify the patient's self-pay responsibility, as projected out-of-pocket spending on healthcare expenses will surge to [\\$608 billion by 2019, an increase of 46 percent in just five years \(up from \\$416 billion in 2014\).](#)

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Here's what providers can expect as a result:

EXCHANGES: More and more programs are converting from federal to state not realizing that the federal programs have a significant out of pocket patient responsibility. Currently, the most prevalent federal program is the "Silver", which holds the patient responsible for approximately 40% of the total due to the provider.

DENIALS: Another major challenge happening today is payers denying coverage because members have not paid their premiums. Payers are not consistent with when they deny the service back to the provider. Some deny the service when the first premium is missed, while others deny after the 30-day notice to the member has been issued and the premium still remains unpaid. Either scenario leads to an increase in self-pay.

HEALTHCARE REFORM: Healthcare reform has led many patients and members to opt in for high-deductible health plans (HDHPs) to keep their premiums low. In addition, more currently insured patients will move to HDHPs as their employers change plans in an effort to control cost.

Health providers must be willing to adjust their current collections processes to address this shift in payer mix. More insured patients will result in more claims, and more claims lead to higher denials and/or liability for the patient. Health systems need to address the increased volume and look to resolve with internal and external strategies.

The increase in patients with HDHPs place an emphasis on upfront eligibility, estimator and collections solutions. Health systems need to know what each patient's responsibility will be and make every effort to collect this payment (or make payment plan arrangements) ideally prior to the service being rendered or certainly at the point of delivery. Evaluating the ability to pay is part of patient engagement.

PATIENT EDUCATION: An essential component in addressing the rise in patient self-pay will be patient education. A healthcare provider shouldn't assume a patient understands his or her coverage. They need help in understanding and managing the financial obligation of their healthcare as well. Providers need to ensure the patient knows their financial responsibility at the point of service to avoid misunderstandings and unfavorable patient satisfaction scores. Educating patients about their

financial responsibilities is a key step in successful revenue cycle management processes.

In this world of healthcare consumerism, patients take a much more active role in choosing their healthcare provider. However, patients are often unprepared for the financial impact of an unexpected medical care procedure. Healthcare organizations understand the key to fully servicing the patient is education, both clinically and financially.

SELLING BAD DEBT: Some providers may avoid the idea at first. However, if you have done your due diligence internally, then used a third party for collection efforts and have made a comprehensive effort to collect on unpaid debt, there still is a path to collect from patients who can pay, but currently are choosing not to.

Traditionally, providers have deferred the agency returns in this situation versus at least trying to capture some income from the inventory. This unique approach will result in a lift to your collections without compromising the patient relationship or reputation of the provider.

At **Capio**, mutually strong relationships with you and your patients are paramount to our success. Uncollected revenue will increase, and financial outcomes will improve. Consider transferring your agency returns to Capio and boost your bottom line.

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