

Perspective

With \$1 out of \$4 coming from patients, MGMA research reveals the dynamics of practices' billing and collections – and the latest cause of your sleepless nights.



ON PATIENT PAYMENTS



In October 2009, MGMA invited members and customers to participate in its Practice Perspectives on Patient Payments research, sponsored by Visa Inc. And 2,149 of you did. We wanted to determine the extent of patient payments and understand how medical practices collect from patients.

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It used to be that smart revenue cycle management meant focusing on collecting patient copayments at time of service and submitting clean claims to payers. How times have changed. Now practices have to contend with collecting \$1 of every \$4 directly from patients.

You read that right. According to the Medical Group Management Association (MGMA) Practice Perspectives on Patient Payments research conducted last fall in partnership with Visa Inc., participating practices reported that 23.2 percent of total patient services revenue is attributed to collections from patients.

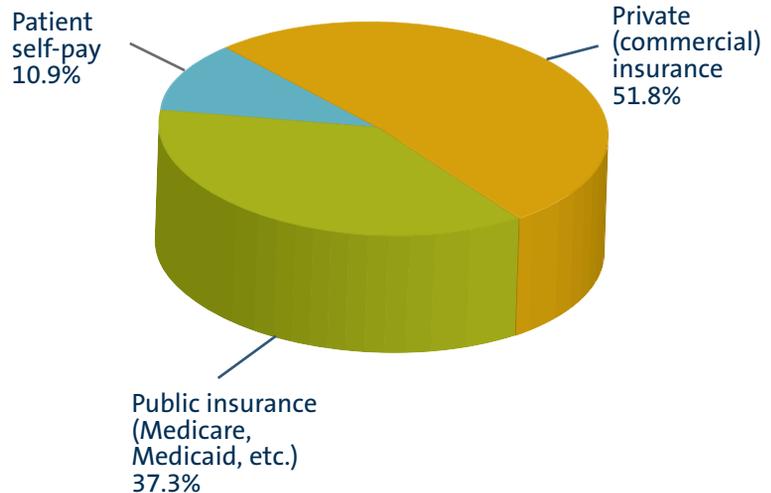
Patient collections is the latest cause of practice administrators' sleepless nights. In the 2009 MGMA Medical Practice Today: What Members Have to Say research, "collecting from self-pay, high-deductible health plan [HDHP], and/or health savings account patients" was members' fourth most challenging issue; 60.1 percent of respondents reported that it was a considerable or extreme challenge. That's up from 50.1 percent in 2008, when it ranked as No. 9.

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The thought of leaving a grocery store or gas station without paying for products and services is laughable. But that's what happens with about one-third of patients. In fact, the Practice Perspectives on Patient Payments research found that:

- 30 percent of patients walk out of your practice's door without paying a dime;

Sources of annual patient services revenue



- You will send an average of 3.3 billing statements before a patient's outstanding balance is paid in full; and
- You will recover just \$15.77 for every \$100 owed once a patient's bad debt is turned over to collections.

Respondents pinpointed four reasons why dealing with patient payments is such a challenge:

1. The failure of practices to confront and deal with issues;
2. The emergence of HDHPs;
3. The economy, unemployment and uninsured patients; and
4. The nature of patient expectations.

Practices fail to confront issues

Many professionals report that they are reluctant to implement new policies and procedures — or to enforce existing policies — even if the change could solve many problems. A primary issue: reticence. They don't

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About 15 percent of respondents' total annual patient service revenue is derived from patients enrolled in high-deductible health plans (HDHPs).

want to initiate conversations with patients about their financial responsibilities and payment plan options.

Some physicians may have long-term relationships with patients and refuse to enforce payment policies when their patients fall on hard times. Other practices have weak or nonexistent patient collection policies because their collections efforts are consumed with payers. While the vast majority (94.1 percent) of practice respondents offer patients a recurring payment plan or installment option for outstanding balances, only 25.3 percent offer it at time of service. Almost 46 percent only use it as a last effort before sending the account to collections.

HDHPs

Respondents report that about 15 percent of their total annual patient service revenue is derived from patients enrolled in HDHPs. Nationwide, the number of people with health savings account/HDHP coverage rose to 8 million in January 2009, up from 3.2 million in January 2006.¹

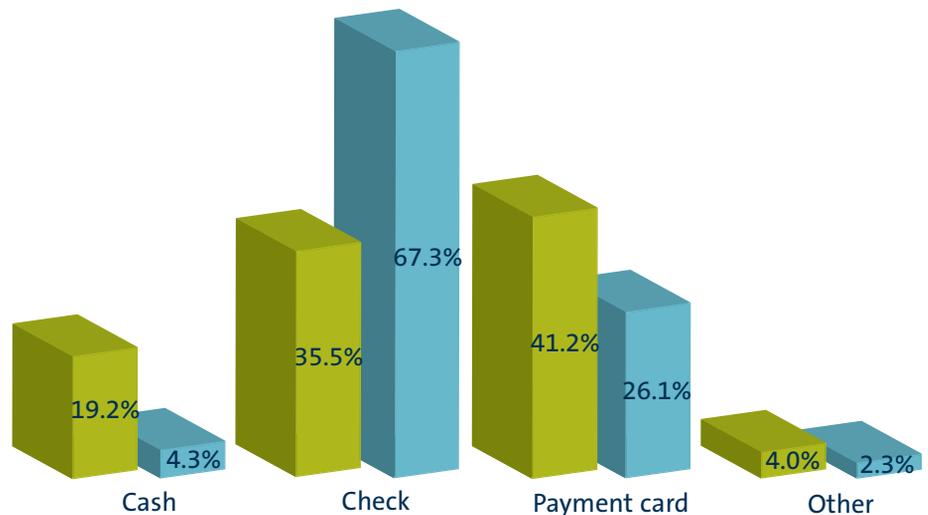
HDHPs can create challenges for practices for several reasons. The percentage of workers with deductibles of \$1,000 or more had grown to 22 percent in 2009, more than double what it was in 2006.² However, many patients don't understand their HDHP contractual responsibilities. And because few payers and employers are educating the insured, the burden falls on practices — a non-reimbursable task that consumes scarce time and resources.

HDHPs have added one more twist to billing and collections — practices have an incentive to delay HDHP claims submittals until the deductible has been met through the efforts of the patients' other healthcare providers. Once the deductible has been met, practice professionals can collect directly from the payer.

How patients are paying

- Type of patient payments made at time of service
- Type of patient payments made after receiving billing statement

Totals may not sum to 100% due to rounding



The economy

In a difficult economy with increased unemployment, respondents reported writing off an average of 11.3 percent of total accounts receivable from patients in the last fiscal year. Compound an unemployed patient's loss of income and insurance coverage with the added expense of purchasing COBRA, and collecting from patients gets that much tougher. Even patients with insurance are taking a hit. Adults with employer coverage watched their annual average out-of-pocket costs for medical services (including deductibles and other forms of cost sharing such as copayments and coinsurance) grow 34 percent from \$545 in 2004 to \$729 in 2007.³

Patient expectations

Accustomed to a low employee share of healthcare premiums and plans that covered most services with low copayments and deductibles, many patients have been shielded from the true cost of healthcare services. For example, provider respondents report that the

average amount due per office visit is about \$110 — a far cry from a \$5 copayment. Practices report that some patients simply refuse to pay their bills even when they can afford it. Other patients want to negotiate the price for services, even copayments. And some patients simply do not understand that the days of zero or low patient responsibility are gone.



join the discussion: Is your practice seeing an increase in the patient's share of cost? Has your billing and collections strategy changed as a result? Tell us at mgma.com/connexion-community or connexion@mgma.com.

notes

1. January 2009 Census shows 8 million people covered by HSA/high-deductible health plans, AHIP Center for Policy and Research. May 2009.
2. Workers Face Higher Costs for Employer-Sponsored Insurance, *Kaiser Health News*, Sept. 15, 2009, <http://www.kaiserhealthnews.org/Stories/2009/September/15/kaiser-survey.aspx>.
3. Gabel J.R., McDevitt R., et al. Trends in Underinsurance and the Affordability of Employer Coverage, 2004–2007. *Health Affairs*, June 2, 2009 28(4):w595–w606.

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A snapshot of patient collections in medical group practice

The revenue

Average percentage of total annual patient services revenue that is attributed to collections from patients*	23.2%
Average percentage of “revenue attributed to patients” collected at time of service	42.6%
Average percentage of total annual patient service revenue derived from patients enrolled in high-deductible health plans	15.0%
Average amount due per office visit	\$109.96

The patients

Number of patients, on average, each day who visit respondents' practices per full-time-equivalent (FTE) physician	20.0
Percentage of respondents who are seeing more patients pay with payment cards than in the past	69.9%
Average percentage of patients who pay nothing at all (not even a copay) at time of service	29.5%

The billing statements

Average number of billing statements per FTE physician each month	154.8
Average number of billing statements per account the practice mails before outstanding balance is paid in full	3.3
Percentage of respondents who accept patient payments by Internet Web portal	25.6%

The accounts receivable, bad debt and collections

Average percentage of total accounts receivable (A/R) attributed to patients	26.3%
Average percentage of total A/R from patients written off as bad debt expense during last fiscal year	11.3%
Percentage of respondents who offer patients a recurring payment plan or installment option for outstanding balances	94.1%
Percentage of respondents who offer payment plan as a last effort before sending to collections	45.7%
Average percentage of total patient bad debt turned over to collections that was recovered and booked as revenue during last fiscal year	15.8%

*Includes patient self-pay from the pie chart on page 37 plus copays and deductibles for patients on private and public plans.

17 patient-collection tips from your peers

Practices have many options and tools for patient payments. Here are a variety of ideas your peers suggested in the Practice Perspectives on Patient Payments research.

1. Give patients a wide variety of options for paying their bills. Be sure to accept cash, checks, credit cards and debit cards.
2. Let patients pay by credit card through the mail by writing a credit card number on an invoice.
3. Give patients the opportunity to pay any portion of their balance at any time. Set up an online bill payment option to allow patients to pay at their convenience.
4. Encourage patients to pay past account balances and current charges at time of service.
5. Consider instituting a patient financial responsibility education service in which the practice teaches the patient about patient financial responsibilities under the terms of the patient's insurance contract. This service might also set the patient up on a payment plan long before the account is in danger of going to collections. The spirit of such a program is to have the hard financial conversations with the patient before the he/she gets into financial difficulty and emotions become part of the payment equation. Such a service adds to practice operating costs but has the potential to pay for itself by improving patient collections.
6. Let patients in financial difficulty design the terms of a payment plan. Accept it and hold the patient



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to it. Since the patient designed it, he or she is more likely to comply. Some practices report high patient satisfaction with such a strategy. The money comes in slowly but steadily, accounts receivable does decrease and the account is not sent to collections or written off as bad debt.

7. Always send bills to patients as soon as possible. Do not wait for a monthly cycle.
8. Create a fair patient financial responsibility policy. Communicate the policy by various channels — on paper, on your Web site, on signs, during appointment scheduling, etc. Make sure the patient understands the policy and enforce it.
9. Train all staff to firmly but gently communicate with patients about patient financial responsibility issues.
10. Consider special programs for communicating with long-established patients who are not accustomed to the new financial policies.
11. Be willing to refuse service to patients who will not abide by the financial policies.
12. For elective and/or any self-pay procedures, collect 100 percent of charges in advance. Or provide discounts for payment in full at time of service.
13. For patients with outstanding balances, refuse to schedule new appointments until payment is made or payment arrangements are established.
14. Replace collections letters with personal collections phone calls.
15. Provide a monthly payment coupon book for patients on payment plans.
16. Post a sign that says, “No insurance, no cash, no check, no credit card, no service.”
17. Say “please.”



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