Self-Pay Accounts Receivables: The Problem and the Opportunity

As many predicted, the Affordable Care Act has had a transformative impact on the U.S. healthcare system. Not all of the effects have been positive. For healthcare providers, one of the negative, unintended results of the ACA has been increases in the amount of self-pay accounts receivables.

Within the past five years, the number of self-pay receivables on many providers’ books has grown by 10 percent or more. Several providers have attempted to remedy this situation by taking a more aggressive, proactive approach to collecting on A/R for care provided. However, their efforts have been hampered by federal and state governments’ implementation of more stringent regulations intended to shield consumers from unethical and unnecessarily harsh collection practices.

Another strategy to reduce unpaid patient accounts has been to “write off” some portions by classifying it as charity care, to help satisfy community-benefit obligations. But patient debt has continued to rise, driven by the still-significant population of uninsured patients, and sizable bills remaining after insurers and other third-party payers have paid their share.

There is abundant evidence that the rapid growth of self-pay A/R represents a major issue for healthcare facilities. Data collected by the American Hospital Association, Medical Group Management Association, and other sources estimates the total hospital, pharmacy, and medical-practice bad debt at about $120 billion annually—representing 4 percent of all U.S. healthcare spending. This revenue drain makes it essential for providers to have plans in place to address this issue.

For the hospital or clinic, the first step is to conduct a thorough self-assessment of existing resources and the ability to implement process improvements, assign and train personnel, and manage the steps necessary to achievable, measurable results. You should also evaluate the possibility of hiring a third-party partner.
Each stage of a provider’s revenue cycle presents opportunities to influence patient payment: scheduling and pre-registration, admission and financial counseling, time of service, discharge, and post-billing. One important fundamental, applicable to every stage of the revenue cycle, is timely and clear patient communication. To achieve the desired improvement in collection results, it’s also important to develop a baseline level and a mechanism to regularly measure progress.

Typically, while third-party payers’ A/R account for more dollars than self-pay accounts, collecting dollars owed by third-party payers is usually easier than collecting from patients. Most providers cannot afford the staff time and resources it would take to increase collection rates on a large number of small balance accounts. Fortunately, technology solutions are available to support each function along the revenue-cycle, including scheduling, eligibility checking, Medicaid and charity application processing, patient estimation, in-house collections, scoring/propensity-to-pay data, early-out receivable collections, data analysis, and others.

**Revenue Cycle Steps**

**Scheduling and pre-registration:** Within a hospital’s revenue cycle, the patient scheduling and pre-registration phase represents the initial opportunity to expedite payment. To maximize returns, it’s advisable to schedule and pre-register the maximum number of patients possible, including outpatients. This process should include screening for insurance eligibility, and determining patient deductible and co-insurance requirements. Patients’ percentage of payment responsibilities are often shown on the reverse side of their insurance cards. Data on patients’ deductibles and estimated co-insurance amounts should be stored in the hospital’s patient financial services system, so collection efforts can be pursued before service is delivered.

Patient scheduling and pre-registration can be a time-consuming, labor-intensive process, but technology can be useful in contacting patients and collecting payment before services are provided. Patient portals on the hospital’s website can be used to register patients and collect insurance information. System software is available to check eligibility for coverage and alert the patient to deductibles or co-insurance amounts that need to be paid, either before or at the point of service. Electronic alerts can be sent to patients to notify them of their self-pay obligations; before using electronic alerts it’s important to
ensure compliance with the most recent court interpretation of the Telephone Collection Practice Act (TCPA), which requires patients’ written consent authorizing the use of electronic communication.

Obviously, technology cannot replace human interaction. So it’s also imperative to give staff what they need to effectively and diplomatically perform their collection duties, by providing ongoing training and useful tools, such as collection scripts.

**Admissions and financial counseling:** For any healthcare facility, the path to effective collections begins before service is provided: verifying the patient’s eligibility for insurance coverage (this does not apply to emergency services). Coverage verification at the point of service gives the initial opportunity to collect self-pay balances that remain after insurance reimbursement.

Technology is an important tool to maximize collection efficiency, without increasing personnel costs. Utilizing the newest banking technology—such as direct-transaction deposit systems—is an effective way to boost credit card and personal check payments.

Increasingly, hospitals and clinics are using touch-screen kiosks for registration. Patients can use the kiosks to enter their medical, demographic, insurance, and financial data without assistance from a staff member.

This technology is designed to verify eligibility and upload the data into the accounts receivable system. Kiosks also have the capability to ask for payment at the point of registration, and create a list of patients who were not able to make a payment at point of service. Another function of the kiosk is supplying patients with information on available financial assistance, and notifying a financial counselor if a patient has indicated interest in applying for aid.

If the hospital has a television network capable of broadcasting videos, consider developing a clip that explains the organization’s financial policies.

**Time of service:** As a matter of policy, all inpatient self-pay admissions should be reviewed in a timely fashion by in-house financial counselors. The data system can be used to evaluate the effectiveness of this process by tracking the number of applications approved, net dollars collected, and individual patient visits.

Handling Medicaid applications is another category. Deductible or co-payment requirements—which vary by state—should be identified and communicated to the patient, with payment requested prior to discharge or release from care. As part of the Medicaid application process, patients should also be informed of the provider’s financial
assistance policy (FAP). The financial aid application can be posted on the facility’s website, with a request to the patient to complete the form and forward it to the PFS department. Patients or family members can use the hospital’s internal email system to review account information and submit info needed to obtain financial aid.

At this stage of the process, the staff person should request payment of deductibles and co-payments when feasible. Collection scripts are an important tool, and customer-contact staff should be well-trained in their use. One key area for improving collections is the emergency department. When applicable, co-payment should be politely requested from patients who are released following emergency care. If a patient is unable to pay on-site at the time of this request, the patient should be given a statement and self-addressed envelope, with the amount of the co-payment and a due date within three days of the service.

**Point of discharge:** For patient convenience, most hospitals have a “courtesy discharge” policy, which doesn’t allow in-person interaction. For this reason, information on the provider’s financial policies and financial assistance guidelines should be included in discharge packets. Electronic kiosks can be placed in high-traffic area, letting patients pay their bills without assistance.

With the popularity of online payment, it’s important to position payment portals where they can be easily found and used by patients. Investing in the services of a skilled web designer can be beneficial.

**Post-treatment billing:** While most hospitals and healthcare organizations have effective, up-front collection strategies, survey data indicates that most providers tend to focus more on their collections efforts in the period after patients have been billed. When administrators and managers consider taking measures to improve self-pay collection performance, they typically think first of adding staff, introducing new technology in piecemeal fashion, or even increasing charity-care contributions. But such actions will not necessarily lead to a rise in cash flow.

Physician practices face several challenges. Because clinics’ A/R balances tend to be relatively low, adding employees to make collection calls is rarely a cost-effective solution. However, installing an automated calling system can be a worthwhile investment. Partnering with UCB ensures top-notch technology for auto-calling and efficient processes.
Six tips for better self-pay A/R collection results

**1) Separate self-pay A/R accounts by category**

The patients included in a hospital or clinic’s self-pay A/R can be classified in one of two categories: pure self-pay (patients lacking insurance coverage or with some kind of limited/high-deductible policy) and self-pay after insurance. These two groups include patients with and without valid telephone numbers. For contacts with valid numbers, using auto-dialers is a more productive strategy than just mailing statements. For patients without valid telephone numbers, letters are the preferred method.

**2) Develop a standardized, patient-friendly process**

Collection requests should ask for full payment within 90 to 120 days of service. An accompanying priority should be identifying and quickly resolving patient concerns. Management must remain ready to provide necessary assistance to staff in addressing patient concerns and problems. From a patient-relations perspective, it is also essential to implement a standardized, customer-satisfaction survey, which can also track financial results.

An auto-dialing campaign can be an effective solution to improve collection ratios, but only if the system is set up to contact patients during times when they are most likely to be home. This will require briefly analyzing each patient’s demographic, family, and work status. Auto-dialer systems can supply data necessary to schedule calls at the most productive times.

**3) Keep informed on TCPA rulings and clarifications**

The Telephone Consumer Protection Act (TCPA) poses a major litigation risk for hospitals and healthcare providers who use text messages, artificial or pre-recorded voice messages, and other automated dialing technologies to reach patients. Hundreds of class action lawsuits have been filed in recent years seeking TCPA damages. New regulations have removed key exemptions that previously served as safeguards against TCPA liability. In response, healthcare providers need to revise patient consent forms to avoid liability. Hospitals should consider auto-dialing systems that can separate telephone numbers based on landlines and cell phones. The courts are divided over whether artificial or pre-recorded voice or auto-dialed calls made for debt collection purposes require patient consent granted specifically to a third-party debt collector. Partnering with an organization like UCB can simplify this process and your responsibilities. UCB ensures that all practices meet compliance and legal standards.
4) **Categorize accounts by balance amount**
Generally, the most difficult and time-consuming accounts to collect are small-balance A/Rs (from individual patients). Therefore, accounts should be categorized according to balance amount. Automated systems can take on account balances of less than $5,000, while staff members or third-party partners handle account with larger balances.

5) **Build a culture of strong customer service**
An automated system can handle many routine customer interactions, such as checking account balances, mailing or emailing a bill, or paying online. But callers should be offered the option of talking to a customer-service agent. Employee training should emphasize the importance of maintaining a strong, customer-service culture, and handling customer concerns with respect.

6) **Educate your community**
Local AARP meetings, nursing homes, and other community events and venues offer valuable opportunities to inform and educate the public about Medicare, Medicaid, managed-care insurance, and your organization’s policies. Shopping mall kiosks can be used to provide outreach access to information on hospital services and financial policies. Hospital staff should be available to help patients with billing questions, to establish and reinforce the hospital’s role as a community resource.

**Self-pay A/R represents a revenue opportunity**
In the post-ACA healthcare environment, self-pay accounts receivables will continue to pose challenges for providers, while also presenting many opportunities to improve cash flow. Increasing self-pay collections requires a well-planned and well-executed strategy that emphasizes communication and addresses each step of the revenue cycle. Everyone involved in the provider organization needs to develop a thorough understanding of its self-pay collection process, and make sure that every process improvement also supports the organization’s compassionate, patient-care mission, while complying with TCPA and other regulatory requirements.

Through years of serving healthcare clients, UCB has developed superior self-pay collection solutions tailored to each facility to produce optimal results, while respecting the establishment’s culture and its need for a compassionate approach.

If you would like to learn more about UCB’s client-centered approach to business, visit www.ucbinc.com. UCB can put its industry-specific debt-collection expertise to work for you. For other helpful articles, visit ucb.212contenthub.com/blog.