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Vendor Relationships Built On Trust

Vendor Effectiveness In The Age Of Self-Pay: The Importance Of Data Transparency

New Analysis by Healthfuse Uncovers Significant Challenges in Achieving Optimal Vendor ROI

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With skyrocketing self-pay and increased regulatory burdens, hospitals face a growing risk of margin erosion. It is a scenario playing out in hospitals and health systems across the country. While many turn to vendors to help improve efficiencies and lower costs, they lack the insight necessary to identify if they're really receiving a return on these outsourcing investments. Considering the $30 billion annual spend on revenue cycle vendors, we must ask ourselves why 64% of hospitals report being dissatisfied or unsure about their vendors' performance. With the depth of experience gathered over more than ten years, Healthfuse recently set out to find the answer.

As the industry's first "at-risk" vendor performance management company, we've had the opportunity to collect comprehensive data from more than two billion hospital accounts, which equates to 8.31 million unique guarantors, or roughly 3.4% of the entire adult population in the U.S. Our data spans 91 facilities in 29 states providing a national perspective on revenue cycle activity. Using proprietary technology and analytics, we've been able to gain insight on the current state of vendor effectiveness in the growing self-pay market on a national basis. The findings should serve as a wake-up call for hospitals and provider organizations that depend on vendors to help increase collections, maximize reimbursements and maintain positive relationships with patients.

INCREASE IN AGING ACCOUNTS RECEIVABLE

Across all organizations, aging self-pay accounts receivable (AR) are growing. With the increased revenue pressure from self-pay, many hospitals and vendors still use an ineffective, one-size-fits-all approach to collections with little data transparency. And the results show.

Accounts Receivable Placed with Vendors Aged Beyond 120 Days

- **21%+** of accounts and **19.5%** of balances overall
- **43%** of accounts in the Eastern region
- **23%** of accounts in Western, Southern, and Midwest regions

Our analysis has uncovered multiple reasons hospitals are still struggling with AR aging. These were apparent across the board, even for hospitals with advanced analytics capabilities.

- Absence of data, root-cause analysis and insight due to a lack of proactive inventory management
- Lack of visibility of what happens to accounts once they're moved to a vendor
- A pattern of unknown account-holds such as patient complaints or bill disputes, which causes accounts to end up in limbo as vendors and hospitals fail to close the loop

Today, most hospitals rely on their vendors' own analysis to determine the success of the relationship. Unfortunately, vendors have their own methodologies for reporting results, which vary by vendor and are often skewed in their favor. Without in-depth auditing and monitoring of vendor processes and appropriate and comprehensive inventory reconciliation, it is difficult for organizations to accurately measure the effectiveness of their outsourcers. The level of analytics review necessary is only available through advanced technology that can deliver full insight into vendor processes and problematic trends, down to the account level. As compared to traditional approaches that test a small sub-set of accounts, comprehensive review reveals a broader range of actionable insights.

EXPANDING "NO ACTIVITY" ACCOUNTS

Hospitals may be surprised to learn that technological advances may be a part of the problem. Patient segmentation analytics, when embraced as the primary determiner of payment collections processes, is insufficient and can actually increase the universe of accounts that are never worked.

Early-Out Self-Pay Vendor Calls Per Guarantor

- National Average: **6.35**
- Midwest Average: **7.43**
- South Average: **3.96**
- East Average: **11.94**
- West Average: **6.35**

VENDOR COMPLIANCE

	National Average	Urban Average	Rural Average
Early-out self-pay accounts that are not compliant with best practices, SLAs or governmental regulations	50.7%	53.8%	33.7%
Accts placed with vendor for 31-60 days that are never worked	36.1%	25.8%	13.5%
Accts past 121+ days placed with vendors that are not worked	22.9%	5.6%	3.1%
Accts with <$250 balances that are not worked	18.7%	15.5%	2.1%

The Healthfuse analysis uncovered several ways the current approach falls short and leads to errors that can skew the entire analysis to the positive or negative.

- **Patient account scoring is based on poor predictive variables**
- **Presumptive charity scoring is used as propensity-to-pay strategy**
- **Patients are scored once for a lifetime without adjustment for changes in financial circumstances**

Many self-pay vendors are using patient segmentation analytics scoring in a way that can discriminate against patients, labeling them as "non-payer" forever. When those patients' financial situations change and they are able to pay, they do not get the opportunity. Instead, the patient is unnecessarily turned over to aggressive collections methods, which can hamper patient satisfaction and impact the hospital's brand reputation.

To reduce "no activity" accounts, hospitals should employ sophisticated auditing tools that can drill down to the guarantor level to flag those accounts that are not receiving calls. This simple solution can substantially improve collections efficiencies and ensure accounts most likely to pay do not get caught in the collections quagmire.

PATIENT PAYMENT MISMANAGEMENT

The patient pay experience is an integral part of a hospital's patient satisfaction rating. A poor experience can result in patients choosing other treatment providers or avoiding care altogether, which can result in poor quality outcomes, increased risk of hospitalization and readmission, or worse – all of which have a negative impact on a hospital's bottom line. Healthfuse analysis uncovered three similarities in hospitals experiencing poor self-pay collections:

- **Lack of service level agreements lead to minimal vendor collection efforts**
- **Vendor workflow segmentation is designed to maximize vendor profit margins instead of hospital collections**
- **Excessive use of account status codes by vendors leads to inconsistent patient experience and/or prolonged periods of inactivity on accounts**

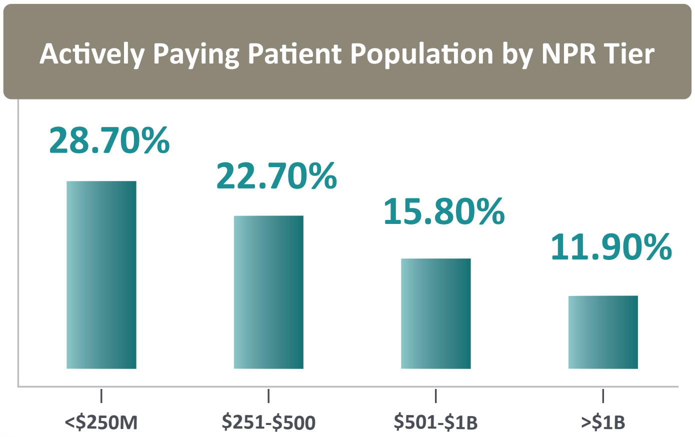
Patient Payment Default
In 2016:

- **68%** of patients oweing $500 or less did not pay off the full balance[1]
- **99%** of hospital bills $3,000 or more were not paid in full1
- Only **77%** made a partial payment[1]

As hospitals get progressively larger, the percentage of the population that makes a payment decreases.

PATIENTS LIKELY TO MAKE AT LEAST ONE PAYMENT IN RELATION TO HOSPITALS SIZE

Managing patient payments more proactively and effectively should be a first line strategy in reducing account receivables aging. Strategies should be based on holistic patient payment data and designed to fit each patient's unique financial circumstance, adjusting as it changes over time. Making it easier for patients to pay reduces unnecessary delays in payment, enhances the patient experience, increases patient loyalty, and ensures hospitals achieve maximum patient pay revenue.



SUMMARY

As self-pay trends continue to escalate, it is expected that hospitals will increase their reliance on patient financing, pre-collection vendors, and collection agencies. The most successful hospitals will be those with vendor relationships that deliver the highest level of return on investment. To achieve this, hospitals need actionable data that enables full transparency into vendor effectiveness, along with tools to implement a proactive patient-centric payment plan strategy.

Based on Healthfuse analysis, hospitals have a long way to go to achieve maximum return on their collection efforts, whether in-house or through a vendor. Partnering with a company that can bring meaningful and quantifiable results to this effort is a good place to begin. Healthfuse deploys a tailored approach leveraging proprietary technology and analytics to identify opportunities and act on them. Healthfuse removes that challenge and helps hospitals better source and manage their revenue cycle vendors to deliver optimal performance.

SOURCES

[1] https://newsroom.transunion.com/patients-may-be-the-new-payers-but-two-in-three-do-not-pay-their-hospital-bills-in-full/

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