Healthfuse
Transparency. Relationship. Trust.

Vendor Relationships Built On Trust

Self-Pay Outsourcing and the Impact on the Patient Experience

Accepting the Status Quo with Vendors Could Put Your Patient Relationships and the Bottom Line at Risk

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As healthcare costs continue to escalate, so too does patient financial responsibility. For the five years between 2012 and 2017, hospitals saw an 88 percent increase in total revenue attributable to patient balances after insurance.[1] Medicare bad debt write-offs also increased, accounting for $3.69 billion in 2016.[2] Hospitals saw total uncompensated care increase by $2.6 billion for the same year.[3] Add to the equation increasing pressures from pay-for-performance reimbursement models, and the implications become clear; Hospitals are increasingly pinched between a desire to provide the highest quality clinical outcomes and an exceptional patient experience, while simultaneously achieving optimal financial performance. For many hospitals, outsourcing self-pay accounts is an increasingly attractive option to combat bad debt and protect revenues.[5]

Patient Payment Default Rates[4]

21%+

of patients owing $500 or less did not pay off the full balance

99%

of hospital bills $3,000 or more were not paid in full

77%

made only a partial payment toward their balance

Nearly $7.5 billion of patient payment responsibility goes unpaid each year.[6]

For other hospitals, outsourcing is a way to reduce human capital costs required for managing revenue cycle processes.[7] A 2016 report by the Everest Group found more than 80 percent of hospitals in the U.S. outsource at least a portion of their post-service revenue cycle, including accounts receivables and collections.[8] Because these vendors are considered experts in the industry, it is reasonable to expect they are giving their best efforts on the hospital's behalf. Also, while outsources do typically collect more than insourced collections, there is another consideration hospitals need to be aware of when working with their outsourcers: the patient experience.

Importance of the Patient Financial Experience

According to the CMS, the patient experience includes all aspects of how patients view their entire encounter, not just how satisfied they were with the care outcome.[9] And this includes the entire financial experience—from collecting deductibles and co-pays to setting up payment plans to post-discharge billing and final collections. Understandably, conversations around payments can be uncomfortable for both the collector and the patient, especially when staff has not been trained in patient-centric collections processes. Yet the quality of those conversations cannot be overemphasized as a poor financial encounter can lead patients to choose other treatment providers in the future or to defer care altogether. This compromises quality outcomes and increases the risk of readmission—or worse. In addition to the patient impact, a poor patient financial experience can negatively influence patient satisfaction and a hospital's HCAHPS scores, which also impacts on a hospital's bottom line.[10] Therefore, it is imperative to a hospital's financial viability to receive complete transparency from their outsourcers around collections practices, especially regarding patient interactions.

The impact of the patient experience on a hospital's brand and marketability may seem less significant on first glance, but research shows otherwise. According to a recent article in Becker's Hospital Review, "The patient experience is directly associated with an organization's brand reputation and ability to capitalize on market share." 11 The article goes on to explain that when hospitals emphasize the importance of the patient experience, they can improve brand loyalty and gain a competitive advantage. In this way, the outsourcer becomes a crucial part of the hospital's brand equity.

It is imperative that hospitals have full transparency into their outsourcers' collections practices, especially with patient interactions.

Increased Transparency Means Increased Collections

It is easy to overlook the impact of early-out and self-pay vendors; They tend to be "out of sight, out of mind" for many hospitals. For those that do manage these relationships, most are reliant on the vendors' analysis to determine the return on the partnership. Unfortunately, vendors have their own methodologies for reporting results, which vary by vendor and are often skewed in their favor. If this weren't problematic enough, those analyses rarely include information around patient interactions. Without the ability to track and measure a vendor's patient engagement practices, it is difficult for hospitals to assess the quality of those interactions accurately. And mismanagement of the patient financial experience means missed revenue opportunities.

Many hospitals—especially smaller systems—can find it difficult to confront their vendors about efficiencies and processes. Often, the vendors are small, local family-owned businesses that are well-respected in the area. Pushing back on these long-term relationships can cause negative rifts throughout the community. As hard as it may be, holding vendors—small or large—accountable is necessary to get the most return on the relationship. In some cases, vendors do not have the resources to invest in data-driven technology with which to validate success. They also often lack resources to customize their processes based on the patient's unique financial situation, so it becomes a one-size-fits-all engagement without consideration to best practices. This type of "status quo" collections can hurt both the ability to collect and the patient experience, as well as the hospital's reputation.

The best vendors will see themselves as an essential extension of the hospital's brand, delivering an exceptional patient experience at every encounter.

Achieving Optimal Vendor Value

The best, most effective vendors are those that seek to align with a hospital's patient-centric values, and that believe performance improvement should be an ongoing quest.[12] They understand that each patient interaction should be met with the highest level of engagement, so patients feel they are being heard and that the hospital truly values their relationship. According to Healthfuse research, the best vendors share several qualities; they:

- Understand their impact on the hospital's reputation
- Take ownership in the patient relationship
- Hold themselves accountable
- Leverage technology to measure their effectiveness and validate results
- Employ best practices
- Are open to feedback and training
- Work alongside existing hospital staff

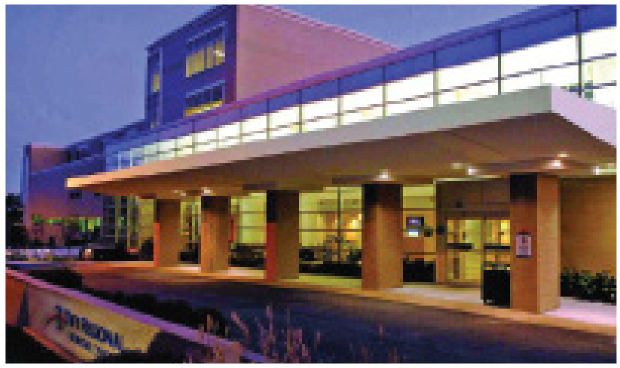
Hospitals continue to be asked to do more with less. Outsourcing key revenue cycle functions should help alleviate that stress, not add to it. Identifying underperforming vendors, holding them accountable, and implementing improvement measures requires time and effort that, when poorly undertaken, can reduce or erase the return on those vendor relationships. Leveraging experts like Healthfuse, the nation's first "at-risk" vendor performance management company, can help ensure hospitals achieve the best possible return on their outsourcing investments.

Success Story

Toft Region Health System (TRHS)

Tift Regional Health System (TRHS), a not-for-profit health system serving 12 counties in South Central Georgia, employed the same self-pay and collections outsources for 15 years. They suspected they were not achieving optimal return onpartnership, so they turned to Healthfuse for guidance. An initial audit found that 68 percent of accounts were not being worked appropriately. They also discovered that their early-out self-pay vendor was collecting less than their bad-debt vendor. TRHS engaged Healthfuse to evaluate their self-pay strategy, auditing accounts to determine how self-pay vendors were interacting with patients. Healthfuse restructured the self-pay approach by implementing top performing industry vendors who had mastered the art of maximizing the patient experience.

Severely underperforming vendors were replaced by outsourcers with expertise in workers comp, motor vehicle, and VA claims—TRHS's most challenging areas. These vendors understood the connection between patient experience and optimal collections. **The impact was significant:**



Tift Regional Health System (TRHS) is a not-for-profit hospital system serving 12 counties in South Central Georgia. TRHS has more than 135 physicians with expertise in over 30 specialties. TRHS includes the Tift Regional Medical Center, a 181-bed regional referral hospital located in Tifton, and the Cook Medical Center, a 60-bed acute care facility located in Adel. Cook Medical Center also includes a 12-bed geriatric psychiatric unit and a 95-bed nursing home.

TIFT REGIONAL
HEALTH SYSTEM

TRHS chose Healthfuse to help develop a new self-pay strategy, improve vendor performance, reduce costs and maximize reimbursements.

$15.4M

$15.4M
improvement in outsourcer net collections over 3+ years

$7.6M

$7.6M
in unnecessary account holds identified and released

$10.M

$10.9M
in net yield

47%

47%
increase in self-pay collections equaling $5.6 million over 2 years

32% to 76%

47%
increase in self-pay collections equaling $5.6 million over 2 years

St. Joseph's/Candler (SJ/C), a 714-bed not-for-profit health system serving Southeast Georgia and South Carolina, faced decreasing reimbursements and increasing patient financial responsibility that threatened hospital margins. Significant cost-cutting efforts were made to offset the impact. Hospital leadership knew they could not afford underperforming vendors or less favorable contract terms. They engaged Healthfuse to become vendor management advisors within their existing revenue cycle team. Healthfuse evaluated the value of each vendor relationship. As a result of the findings, Healthfuse engaged a consulting firm to retrain all of their patient-facing staff members on ways to proactively educate patients on out of pocket responsibilities, and developed protocols with how to respectively engage with and help them choose the right payment options for their situation.

SJ/C increased visibility into the performance of their self-pay companies, vendors, costs and patient engagement processes. They now could proactively address compliance issues and streamline issue resolution. With Healthfuse, SJ/C achieved:

- **$6 million net yield in first 2 years with Healthfuse**
- **9:1 return on investment**
- **$500,000 in cost savings over 5 years from contract renegotiations**
- **25% reduction in self-pay collection costs**
- **20% increase in vendor performance**
- **10% reduction in vendor expenses**

U Cannot Afford To Settle For The Status Quo

As self-pay trends continue to chip away at hospital revenues, the most successful organizations will be those whose vendor relationships deliver the highest level of return on investment. In addition to efficiencies gained by those partnerships, hospitals need to ensure their vendors are aligned with the health system's culture. Patients see their providers as partners in their healthcare journey, and they expect to be treated as such throughout every interaction, including those related to payment.

The best vendors will see themselves as an essential extension of the hospital's brand, delivering a great patient experience at every encounter. However, when hospitals settle for status-quo from their vendors, they put this partnership at risk, which in turn puts their bottom line on shaky ground. Employing "at-risk" vendor management companies like Healthfuse can help hospitals achieve optimal collections while elevating the patient experience throughout the continuum.

SOURCES

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[3] Ibid.
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