As self-pay patients account for a greater portion of hospitals’ revenue, senior revenue cycle leaders need to develop sound strategies to maximize their collections while elevating patient satisfaction and, ultimately, their organization’s brand.

During the past 15 years, revenue cycle leaders have witnessed considerable growth within their self-pay and patient responsibility payment class. Today, “self-pay and other” revenue sources account for 6.9 percent of hospitals’ gross revenue, according to Moody’s Investors Service. This percentage is likely to grow, thanks to the convergence of the following factors.

**The rise in high-deductible health plans (HDHPs).** Employers continue to migrate to HDHPs, which shift greater financial responsibility to employees. In 2015, nearly one-quarter of covered employees were enrolled in an HDHP with a savings option, up from 13 percent in 2010, according to the Kaiser/HRET Employer Health Benefits Survey. Overall, deductibles have grown 255 percent since 2006.

**The growing underinsured population.** Although the Affordable Care Act (ACA) reduced the number of uninsured patients by at least 9 million, it has not alleviated the swell of underinsured patients. According to the 2014 Commonwealth Fund Biennial Health Insurance Survey, 31 million adults with insurance were considered underinsured because of high deductibles and other out-of-pocket costs. That figure represents nearly one-quarter of insured adults younger than 65.

**The lack of Medicaid expansion in some states.** As of July 2016, 19 states had not adopted the Medicaid expansion. As a result, low-income patients in those states are unable to qualify for Medicaid and are unable to access a discounted health plan through the exchanges. Over time, the lack of expanded Medicaid coverage in these states could contribute to a rise in uncompensated care that could affect the financial stability of hospitals, particularly rural hospitals that rely on Medicaid revenue, according to a recent study in *Health Affairs.*
The increase in insurance premiums. According to the Kaiser/HRET Employer Health Benefits Survey, premiums for single and family coverage rose 4 percent in 2015 over the previous year. From 2005 to 2015, premiums increased approximately 5 percent each year. With large insurance companies like UnitedHealthcare pulling their plans from the exchanges, competition among plans will decrease and premiums will likely rise. Consequently, more consumers may abandon their insurance and choose to pay a penalty instead.

The Impact on Hospitals

The increase in self-pay accounts is having a considerable impact on hospital operations as well as revenue. Revenue cycle leaders are noticing some of the following effects and should take a proactive approach to resolve their self-pay accounts.

A sluggish cash flow. The growth of self-pay accounts will have a significant influence on hospitals’ revenue cycles. McKinsey & Co. estimates that balance after insurance (BAI) transactions will increase by approximately 20 percent in the next few years. Because self-pay accounts often are the slowest payers, many hospitals could experience a slower cash flow.

Reduced profit margins and tightened access to capital. The average hospital’s operating margin is 2.6 percent, according to Moody’s Investors Service. If hospitals only collect a small percentage of their self-pay accounts, their profit margin will be at risk. The erosion of profitability could affect a hospital’s credit ratings as well as its access to capital, which is essential for expanding facilities, investing in IT, and engaging in strategic initiatives such as population health management.

An increase in bad debt. Increased patient financial responsibility could lead to an increase in bad debt, one of the top three financial challenges noted by CEOs in a 2015 survey by the American College of Healthcare Executives (ACHE). Revenue cycle leaders need to develop strategies to help patients manage their responsibility before it is rolled into bad debt.

Patient satisfaction challenges. With greater out-of-pocket expenses, patients will want a clearer picture of their financial responsibility upfront. They also may want assistance with creating payment plans. Unfortunately, revenue cycle team members often are not equipped to handle these requests. Team members also face productivity demands that make it difficult for them to spend too much time answering patient questions. As a result, the patient experience suffers, which could affect hospital profitability. Hospitals with “excellent” patient satisfaction ratings tend to have higher net margins than those with “low” ratings, according to Deloitte.

Given these challenges, it is critical that revenue cycle staff create a satisfying experience for patients—not just to increase the likelihood of payment but also to protect the organization’s reputation and relationship with the community.
What Revenue Cycle Leaders Can Do

Fortunately, revenue cycle leaders do not have to face the challenges brought on by a growing self-pay population alone. An independent revenue cycle solution company can help hospitals manage the complexity of their self-pay population by using proven strategies that put patients first. This includes:

- Working one-on-one with self-pay patients to help them understand their financial responsibility and to develop personalized payment plans
- Leveraging certified application counselors (CAC) to determine patient eligibility for Medicaid and charity care programs
- Offering high-touch concierge services for patients with extensive medical bills to advocate on behalf
- Enhancing collections by using analytics to identify the patients most likely to respond to different outreach strategies
- Designing workflows that maximize the effectiveness of internal and external resources
- Using tools to monitor key performance metrics to proactively respond to changes
- Mitigating compliance risks that can occur with collections

By implementing the right solutions, revenue cycle leaders can reduce their organization’s bad debt and increase the speed of cash flow while maintaining positive patient relationships and meeting the needs of their community.

Preparing for What’s Ahead

To be successful, revenue cycle leaders need to manage the growth in their self-pay accounts while addressing other critical challenges, including adapting to tighter profit margins and transitioning to value-based payment. With more payment tied to outcomes, revenue cycle leaders should continue to improve operational efficiencies and optimize their revenue cycle to sustain the financial health of their organizations.

With so much on the line, it is critical for revenue cycle leaders to work with a company that has strong clinical and financial expertise across the revenue cycle to help them weather these changes. Revenue cycle leaders should choose a committed partner that is focused on helping them improve their revenue and delivering better value to the communities they serve.

Contact Adreima for more information about any of our services at marketing@adreima.com.

About Us

Adreima provides patient-centered, clinically integrated revenue cycle services to approximately 400 hospitals nationwide. This unique approach combined with the deep connections we build with our clients helps them achieve results by recognizing the full value of services provided. Adreima realizes these results for each client by our insightful analytics, and taking measured action to improve outcomes. Our experts continuously translate the market to help you achieve compliance and regulatory readiness.
Footnotes:


i. Ellison A., “200 Hospital Benchmarks,” Becker’s Hospital Review.
