
Cracking the code behind the patient revenue cycle

Money, Medical Billing & Collections, Practice Management, Revenue Cycle Management

The rules of other consumer commerce sectors somehow do not apply to medical billing. Stop and think about that for a moment. It's easier to make sense of how much we spend for goods and services such as groceries, clothing, and gasoline because we know how much it costs up front. No smoke and mirrors. No hidden expenses we are billed for days, weeks, or even months later. Imagine buying gasoline and two weeks later receiving a bill from the station owner because he didn't include the excise tax on the pump price – would you pay that?

Yet that kind of scenario is exactly what healthcare consumers have learned to expect when it comes to their medical bills. Medical billing and collection is a broken system with far-reaching negative consequences—it's about time we got down to fixing it.

What we don't know CAN hurt us

Lack of timely payment or no payment at all is leading to a crisis in healthcare. The simple fact is that in comparison to other products and services, people do not understand how much healthcare costs. In fact, a recent report by the research company West stated that 75 percent of patients don't know what they'll owe until they see a bill. 75 percent! Imagine if you went to the store and purchased a gallon of milk but had no idea what it cost until a bill came later. Oh, and add to that the fact that the price of milk would vary wildly from store to store. In all likelihood, people would stop purchasing a product with such an unpredictable cost structure. Perhaps we're onto something here...if people know prices upfront, they are more likely to pay them.

The need for clear and understandable statements

How many times have you tried in vain to decipher an Explanation of Benefits (EOB) from your insurance company? Sometimes it seems these things are written in some kind of code, seemingly with the intent to obscure benefit information from patients. It's no surprise to many that trying to understand the healthcare billing system, how benefits are applied, and what balance patients are ultimately responsible for paying has traditionally been as confounding as trying to understand a garbled voicemail—if the message is unclear, it is impossible to take the appropriate action. No wonder so many patients struggle to meet their medical financial responsibilities.

Lack of price transparency killing private practice

As the proportion of patient financial responsibility grows with the rise in high deductible health plans (HDHP), profit risks are pushed higher for independent practices. Small practitioners are seeing larger write-offs, higher costs to collect, and longer revenue collection cycles. We seem to be amid a healthcare payment system crisis that is squeezing these small practitioners the most, forcing them out of independent practice.

Consider these statistics:

- In 2016 33 percent of physicians reported as independent compared to 48.5 percent in 2012
- In 2016 20 percent of doctors worked in groups of 100+ compared to 12 percent in 2012
- 73 percent of those in independent practice would remain so if they could maintain stability and profitability, but 44 percent expect to sell their practice in the next 10 years
- Research shows that small practices deliver better care, especially in areas where high-quality primary care makes a difference: lower hospital readmission rates, better outcomes for patients with diabetes, etc.

These statistics paint a distressing picture—one that shows an eroding of independent practice that ultimately leads to poorer overall health outcomes for everyone.

What can we do?

The solution to this problem is taking a price transparency cue from the retail sector to help patients more clearly understand the why and what of payment responsibility so they can make smarter decisions about healthcare consumption and budget accordingly.

Here are additional suggestions for medical providers to move toward more effective solutions to the pressing issue of poor revenue cycle management:

- Have frank discussions with patients about ability to pay before care is delivered (only a quarter of healthcare providers do this now)
- Embrace patient revenue cycle technology solutions that make it easier for patients to understand and make payments upfront and on-time. This will lead to greater rates of patient engagement,

participation, and bill payment:

77 percent of healthcare consumers say it's important or very important to know costs before treatment



- Just one in five (20 percent) physicians currently send reminders about payments on or near due dates
- Join an independent physician association (IPA) or similar organization to enjoy some of the benefits of being part of a larger group of physicians without sacrificing independence, allowing the opportunity to:
 - Negotiate with payers
 - Enjoy bulk rates on malpractice insurance
 - Leverage billing companies to ensure timely and accurate notifications of patient payment responsibilities (most practices fail to bill for about 12 percent of the work they do)

More broadly, the healthcare industry needs sounder infrastructure to support independent physicians and, in turn, medical practices must be more proactive to research and adopt innovative technology tools that can successfully simplify and streamline both time-of-service and residual balance patient payments. We already know the demand is there—49 percent of physicians expect they will have to develop innovative billing and payment models to stay independent.

Healthcare price transparency and payment convenience pays dividends

One of the core faults of our healthcare pricing system is that patients aren't required to pay for healthcare in any consistent way. As a result, one of the most pressing needs is to implement technology solutions that push healthcare providers to think less like an institution and more like a small business. The simple fact is, if you make the payment process clearer and convenient, more patients will fulfill their financial obligations. Medical providers must tailor billing and payment process to patient needs and desires, implementing tools and resources the modern healthcare consumer has come to expect—such as the ability to pay online or via a smart phone app. Providers should seek to create more of a convenient patient “experience” than an unpleasant episode.

By implementing patient revenue cycle solutions that promote price transparency and offer payment convenience, patients will experience higher levels of satisfaction, peace of mind, and trust. After all, the next generation of healthcare consumers are watching you more closely than ever, are eager to share their experiences via social media and review sites and have a virtual global peer-to-peer network right at their fingertips.

If we don't proactively tackle the growing fiscal problems that are essentially forcing many smaller medical practitioners to fold their tents, we can't realistically expect our healthcare system to evolve into a leaner entity with better outcomes.