

# How Card on File Payments and Payment Plans Increase Revenues [eBook]

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## How Card on File Payments and Payment Plans Increase Revenues

The current medical revenue management cycle is plagued by overdue accounts receivables and an existing system that is not sustainable. The increase in High Deductible Health Plans (HDHPs) has prompted a shift to greater patient fiscal responsibility. The deviation from government and commercial collections has left the revenue cycle unsettled and difficult to manage in its current state.

Patient accounts receivables and patient bad debt write-offs are at astronomical levels, with a cost of patient collections that is almost unaffordable. Research shows that over 25 percent of hospital leaders and over 10 percent of practice respondents indicate the average patient takes longer than six months to pay their balance in full.

The major hike in patient payment obligations has left the healthcare industry scrambling to find a more patient-centric approach to collecting patient payments.

Just a few short years ago, patient expenditures accounted for roughly 10 percent of the total healthcare revenue in the United States. Recent studies show that the cost of the average deductible for a family PPO plan has doubled, even among employer-sponsored plans.

Patients' annual out-of-pocket spend has increased over 68 percent in the last five years and a staggering 255 percent since 2006.

As patients struggle to cover the upsurge in medical costs, the industry must carry the burden while organizing new initiatives geared toward individual collections. Current patient expenditures account for almost 30 percent of the total revenue in the medical industry and healthcare organizations are struggling to find a way to include patients in their revenue cycle strategies.

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- Patient expenditures account for almost **30 percent of the total revenue** in the medical industry

## The Retail Approach: Card-on-File Payments

One way to effectively redesign patient collections is to adopt a retail approach with card-on-file payments. A recent survey indicates that up to 78 percent of patients are comfortable providing credit card information to their healthcare provider for charges of \$200 or less. Unfortunately, only 28 percent of healthcare organizations exercise this option to collect patient payments. The current revenue management cycle is in such an unsustainable state that most healthcare providers do not even expect to collect full payment for their services.

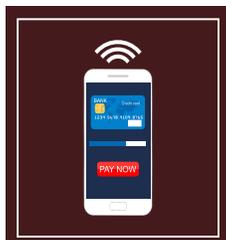
Many practices and organizations cite security concerns as the main obstacle to keeping patients' credit card numbers on file, but this complaint is easily relieved by contracting with third-party vendors, such as MailMyStatements. By integrating with a trusted card processor and implementing secure technologies, stored payment methods can be used to easily pay balances or schedule payment plans. Approaching a CCOF with a trusted third-party vendor reduces the medical practice's liability in cases of fraudulent activity, provided they have signed a commercial HIPPA agreement with the vendor. Many patient records are already digitized and contain highly sensitive information which must be kept secure, so it is not a stretch to include credit card information.

- 78 percent of patients are comfortable providing credit card information to their healthcare provider
- Only 28 percent of healthcare organizations exercise this option

Some physicians are concerned they will lose the flexibility to make individualized decisions based on a patient's unique situation. However, digitized billing and payment options actually offer just as much flexibility as their paper counterparts but with a higher degree of security and efficacy. Patients are demanding digital payment options for medical expenses, but the industry doesn't seem to be responding very quickly. Healthcare provider organizations pale in comparison to e-commerce and other industries who keep credit card numbers on file to pay invoice amounts.

The CDC's National Center for Health Statistics reports that nearly 40 percent of US adults have HDHP because of their lower, more affordable premiums. However, the additional out-of-pocket expense associated with treatment is unexpected for most patients who don't fully understand their plans. Most administrative staff are also untrained on the inner workings of these plans including copays, co-insurance and deductibles. This hinders their ability to collect appropriate payment at the time of service, virtually insuring a future collection effort. Furthermore, patients want to understand these costs and prefer an estimated cost at the time of service. Front-end staff need training on how to educate consumers about their portion of costs. Consumers look to medical administration for an explanation about what their insurance covers and what costs will be associated with their visit. Patients are demanding a higher quality of care from the medical industry. They are utilizing online reviews before choosing a provider and looking for other industries who keep credit card numbers on file to pay invoice amounts.

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Patients are demanding a higher quality of care from the medical industry. They are utilizing online reviews before choosing a provider and looking for greater transparency in the billing process. A CCOF program helps regulate the payment process and facilitates greater transparency which improves the patient's overall experience. This type of policy also goes a step further to simplify the administration process associated with patient payments.

In today's digital economy, patient satisfaction and positive reviews directly effect collection efforts. Greater transparency and a standardized CCOF program can help foster meaningful relationships with patients. It establishes the groundwork for the fundamental trust which should exist between a patient and a healthcare provider. Patients know exactly what to expect regarding the payment process at the time of service. This type of relationship cultivates the credibility healthcare providers need to have in the eyes of their patients. It provides a smooth, hassle free experience for both the patient and the front-end staff.

## Benefits of Card-on-File-Payments

The benefits of patient payments via card-on-file extend way beyond maximizing collections. Research conducted by the Medical Group Management Association (MGMA) found that provider organizations who utilize CCOF payments enjoy a 36 percent decline in patient bad debt write offs as well as a 34 percent reduction in the number of days in patients' accounts receivable.

*“The doctor shouldn't be the one extending credit all the time. But that's the situation we have today.  
We have practices that are stretched really thin because they're extending all this credit.”*

**- Susanne Madden,**

**MBA President and CEO of Verden Group**

This is an asset that can help right the ship of the revenue management cycle. A CCOF program can significantly reduce the administrative burden associated with patient collections and alleviate the difficult outstanding balance conversation from the check-in process. In fact, studies show that collections decline 34 percent on average with card-on-file payment. Qualitative analysis of these numbers indicates many positive shifts beyond aligning the revenue management cycle. With a near 40 percent decline in collections, administrative staff is free to focus on patient care and satisfaction. The efficacy of a CCOF program proves invaluable by eliminating wasted administrative costs typically spent on attempted collections and capturing payments that would have otherwise been unrealized.

**Increase Revenue  
Collections  
with a CCOF System**

*Reduce cost of collections by*

**34%**

*Reduce bad patient debt by*

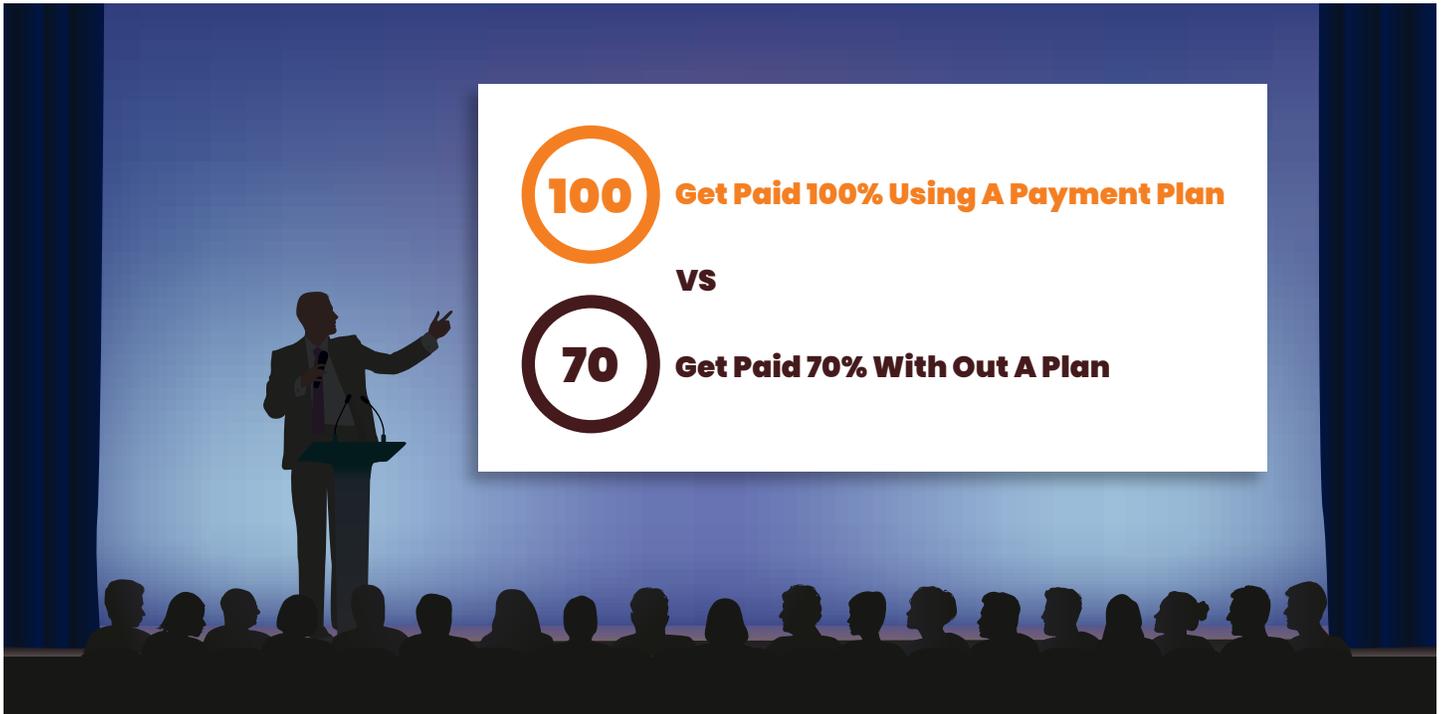
**36%**

*Reduce days in patient A/R by*

**34%**

## Payment Plans

With the rising cost of healthcare and the staggering numbers associated with HDHPs, the cost of medical care is often much more than \$200 and it is necessary for patients to set up payment plans. The high cost of medical care can often be burdensome depending on individual situations. The best way to ensure payment is in small monthly chunks with a credit card on file. This allows a patient to get the care they desperately need even without the ability to pay in full. While this isn't the ideal situation, a CCOF program can help providers mitigate the risk of providing free services. It allows them to establish patient payments that adhere to their revenue cycle requirements while satisfying the financial needs of the patient.



A standardized CCOF program allows healthcare providers to service patients who need medical care they can't afford. This is especially helpful in industries that provide specialized care. In fact, current researchers actually advise healthcare providers to move to a CCOF system to collect patient payments in a timely manner and help relieve the burden on the crippled revenue management cycle.

A CCOF program can help healthcare organizations and small practice providers mitigate the risk of uncollectible debt. They can easily collect things like no-show fees, monthly payments and other small fees that may otherwise go unpaid. With an almost 80 percent patient approval rating, private practices need not worry about what patients may think of the program. Healthcare providers are one of the only industries that continue to extend interest-free credit for services based on nothing but good faith. One study found that healthcare providers only anticipate collecting about 70 percent or less of a patient's total balance across the board.

Closing the gap between stakeholders involved in the revenue management cycle can help streamline collection practices and foster collaboration. Eliminating a large portion of the costs associated with collections by implementing a CCOF program is an effective methodology for widening the profit margin. Facilitating better communication and greater transparency in the billing and payment process allows healthcare providers to collect more of the payments they are rightfully due while leaving more time to focus on patient care. Many patients currently pay most of their monthly bills online and they would like the same digital options for their healthcare bills. Not only would a CCOF program help healthcare providers collect more of their payments due but it would allow them to collect payments fast.

## One practice's experience implementing CCOF

In 2016 a small, private practice in Skokie, Illinois, decided to implement a CCOF program to help combat their growing patient accounts receivables. Without the support of a large hospital and with patient payments only trickling in, they found themselves nearing cash flow issues. It was a critical decision that had a profound effect on their revenue cycle management. It was also a decision that was made with the full support of the practicing physicians. The management team took the time to educate the administrative staff first, so that patients could be properly notified and informed. According to the office manager, the overwhelming majority of patients were very receptive to the new program. She notes that less than a handful of patients were unhappy about the new program and they were patients who were unlikely to pay their medical bills anyway.

The front office staff took the time to notify existing patients and explain the purpose of the new policy. Also, signs were posted in the office to help insure notification and remind patients of the change. The new policy was integrated into the pre-registration and intake process which had a positive effect on administrative workflows. The office manager also notes that the integration was seamless, and that the results have been astounding.

The additional revenue collected in two weeks totaled a whopping \$23,000, which was much-needed for this small practice. Their 91 to 120-day patient accounts receivables also declined by an incredible 72 percent and they saw a 28 percent decline in overall patient accounts receivables in the first six months. Since then, they have seen a 53 percent decline in patients accounts receivables across the board year over year. For patients who do not have a credit or debit card, a cash retainer is taken instead. A standardized CCOF approach seems to be the answer for integrating patients into the revenue management cycle for this small practice.

- A small, private practice in Skokie, Illinois tested out a CCOF program
- After 2 weeks, they collected an additional **\$23,000 in revenues**
- Their 91 - 120-day patient accounts receivable **declined by 72%**
- They also experienced a **28% decline** in overall patient accounts receivable
- After their first year of implementation, they saw a **53% decline** in patient accounts receivables

## A Third-Party Vendor can Provide the CCOF Program You Need

A standardized CCOF program is an effective approach to focusing on patient fiscal responsibility and a third-party vendor like MailMyStatements can make it a smooth transition. Look forward to immediately increased revenues in addition to reduced patient accounts receivables. Streamlining the payment and collections process in this manner is a simple way to modernize the approach to patient payments while including patients in the revenue cycle strategy.

A CCOF program is an easy way to improve transparency in the payment and billing process while also increasing the efficacy of the administrative staff. It can improve the patient relationship throughout engagement, from pre-registration and on. If the industry continues to extend interest free credit based on good faith, there is no need for patients to take responsibility for their medical care. A CCOF program will reduce unintentional pro bono healthcare.