



HOW CREDIT CARD ON FILE (CCoF) AND PAYMENT PLANS INCREASE HEALTHCARE REVENUES

Learn how credit-card-on-file (CCoF) practices and payment plans improve the revenue management cycle of the healthcare industry.

The current healthcare revenue management cycle is plagued by overdue accounts receivables and an existing system that is unsustainable.

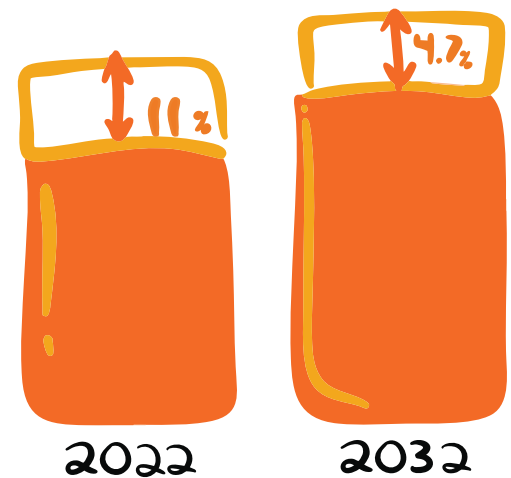


Inflation and the increase in high deductible health plans (HDHPs) have prompted a shift to greater patient fiscal responsibility. The deviation from government and commercial collections has left the revenue cycle unsettled and difficult to manage in its current state.

Overall healthcare spending is projected to continue growing at a faster rate than the rest of the economy. In March 2024, prices for hospital services increased by an astounding **7.7%** over the previous year. With cost share shifting, patients are seeing even higher trends. In this climate, it's no surprise that **41%** of adults in the United States have healthcare debt.

The result is patient accounts receivables and patient bad debt write-offs at astronomical levels, with a cost of patient collections that is almost unaffordable—and it's not just for the uninsured.

Average patient out-of-pocket spending rose by **11%** in 2022 and is projected to grow by 4.7 percent through 2032.



Research shows that in 2018, only **11.1** percent of bad debt was attributable to self-pay after insurance; in 2021, this jumped to **57.6** percent.



Even for those with insurance, some healthcare services remain unaffordable, especially for those enrolled in high deductible plans. The CDC's National Center for Health Statistics reports that **41.7** percent of non-Medicare adults have HDHPs because of their lower premiums. However, with an average deductible of \$1,735 per member, the additional out-of-pocket expense associated with treatment is often unexpected and unaffordable. Many patients don't fully understand their coverage and lack transparency into the cost of healthcare services. This complexity hinders staff ability to collect appropriate payment at the time of service, virtually ensuring a future collection effort.

As healthcare prices continue to soar and cost share continues to shift, the healthcare industry is left scrambling to find a more patient-centric approach to collecting payments.

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



One way to effectively redesign patient collections is to adopt a retail approach with **credit-card-on-file** (CCoF) payments. This is a welcome change for patients; **73** percent of consumers report preferring the convenience that retail stores offer over traditional healthcare services.

A recent survey indicates that



of patients already pay for their medical care with credit or debit cards.

When it comes to CCoF, **43** percent are comfortable storing their payment information with their healthcare providers *and* another **43** percent would be willing to automate their payments. Yet 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; it's clear there is a disconnect between patient needs and wishes regarding payment options and the capabilities of providers.

Problem...

Many practices and organizations cite security concerns as the main obstacle to keeping patients' credit card numbers on file.



That's why we're here!!

This is easily relieved by contracting with reputable third-party vendors, such as MailMyStatements. By integrating with a trusted card processor and implementing secure technologies, stored payment methods can effectively be used to pay balances or schedule payment plans.



Approaching CCoF with a trusted third-party vendor reduces the medical practice's liability in cases of fraudulent activity, provided they have signed a commercial HIPAA agreement with the vendor. Many patient records are already digitized and contain highly sensitive information, which must also be kept secure, so it is not a stretch to include credit card information.

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 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 isn't being responsive to these demands.

75%

Research shows that 71 percent of providers still collect from patients with paper and manual processes, yet

75 percent of consumers wish to pay their medical bills online.

71%

Healthcare provider organizations lag in comparison to e-commerce and other industries that keep credit card numbers on file to pay invoices.

A CCoF policy also goes a step further to simplify the administration associated with patient payments. Patients know exactly what to expect regarding the payment process at the time of service, as do front-end staff. 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 everyone involved.

In today's digital economy, patient satisfaction and positive reviews have a direct impact on collection efforts. Research indicates that the ability to make payments online rather than manually in the office would prompt **33** percent of patients to switch providers. Patients are utilizing online reviews before choosing a provider and looking for a streamlined check-in and check-out process. Having a credit card on file helps regulate the payment process and facilitates transparency, improving a patient's overall experience.



Benefits of Card-on-File-Payments

The benefits of patient payments via card-on-file extend beyond maximizing collections.

Research conducted by the Medical Group Management Association (MGMA) found that provider organizations that 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.

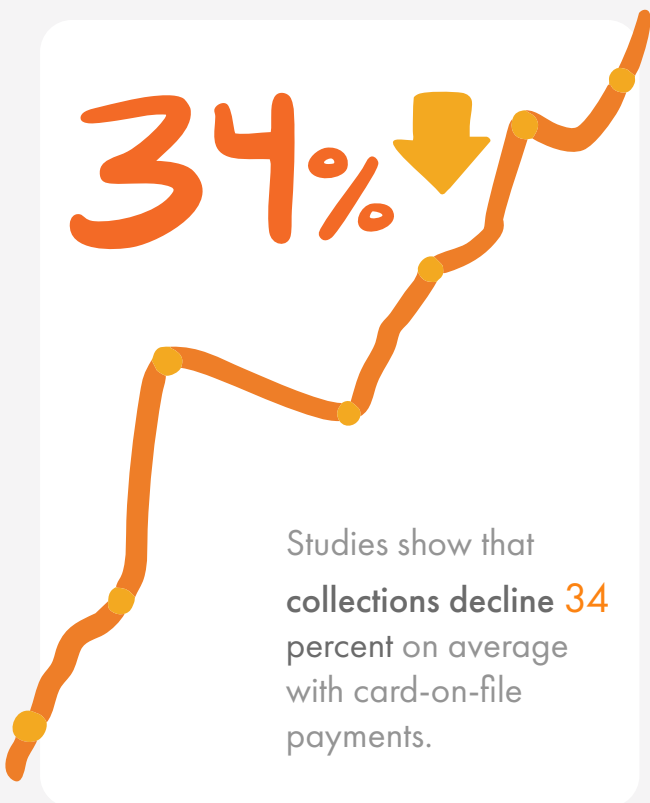
The doctor shouldn't be the one extending credit all the time. But that's the situation we have today. We have practices that are stretched really thin because they're extending all this credit.

—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.

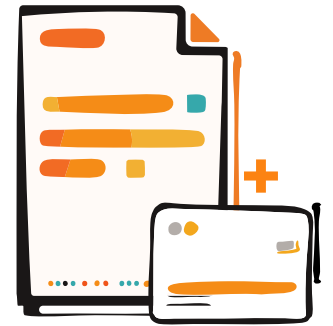
Qualitative analysis of these numbers indicates many positive shifts beyond aligning the revenue management cycle. With a near 40 percent decline in collections, administrative staff is free to focus on patient care and satisfaction.

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.

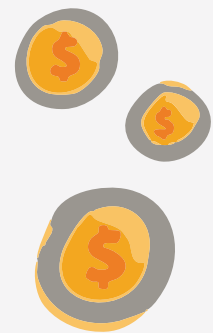


A Winning Combination: Card on File + Payment Plans

With the rising cost of healthcare and the staggering numbers associated with HDHPs, the cost of medical care is often much more than a patient can pay at the time of service. **Payment plans offer a win-win solution for patients and providers.**



When healthcare is unaffordable, the best way to encourage payment is in small monthly installments with a credit card on file. This allows a patient to get the care they need even without the ability to pay up front. While this isn't the ideal situation, a CCoF program can help providers mitigate the risk of providing services without payment in full. It allows them to establish patient payments that adhere to their revenue cycle requirements while satisfying the financial needs of the patient.



Healthcare is one of the only industries that continues to extend interest-free credit for services based on nothing but good faith—and with medical bills now removed from credit reports, there's little consequence for patients who don't pay. With **63** percent of patients wanting their doctors to offer payment plans but only **44** percent being offered one, private practices have an opportunity to offer a solution with minimal pushback. Having cards on file also facilitates easy collection of no-show fees, monthly payments, and other small fees that may otherwise go unpaid.



Closing the gap between the 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 method 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 freeing 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 does a CCoF payment plan program help healthcare providers collect more of their payments due in a timely manner, but it also facilitates a better customer experience.

Case Study: One Practice's Experience Implementing CCoF

A small private practice in Skokie, Illinois, implemented 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.



The implementation of a CCoF program was made with the full support of the practicing physicians. The management team took the time to educate the administrative staff first, so patients could be properly informed.

The front office staff took the time to notify existing patients and explain the purpose of the new policy. In addition, signs were posted in the office to help ensure 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 reports the integration of the CCoF program was seamless and the results have been astounding. The overwhelming majority of patients were very receptive to the new program. She notes less than a handful of patients were unhappy with the changes, and they were patients who were unlikely to pay their medical bills anyway.



The additional revenue collected in two weeks totaled **\$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 patient 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 to 120-day patient accounts receivable **declined by 72%**
- They also experienced a **28% decline** in overall patient accounts receivables in 6 months
- After the first year of implementation, they saw a **53% decline** in patient accounts receivables

A Trusted Partner Can Provide the CCoF Program You Need

Streamlining the payment and collections process is a simple way to modernize the user experience while including patients in the revenue cycle strategy.



A card on file program improves transparency in the payment and billing process and also increases the efficacy for the administrative staff. It frees up time for them to focus on providing care, fostering patient relationships and retention.

If the industry continues to extend interest-free credit based on good faith, patients are not encouraged to take responsibility for their medical bills. A CCoF program will reduce unintentional pro bono healthcare. Having cards on file is an effective approach to improving patient fiscal responsibility, leading to an immediate increase in revenues and reduced patient accounts receivables.

A HITRUST-certified vendor like **MailMyStatements** can provide a smooth transition to a secure card on file solution. Reach out to today learn more.

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