

# The patient financial responsibility conundrum

*How healthcare organizations can manage fiscal challenges and deliver patients an empathic experience*



BECKER'S  
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**T**he COVID-19 pandemic has exposed the most fragile components of America's healthcare system. For years, industry thought leaders pointed to longstanding issues related to care costs, care access and the supply chain, among others, as areas of deep vulnerability. The novel coronavirus pandemic has taken these already fragile pieces of our nation's healthcare system and rendered them threadbare.

Prior to the health and economic crises created by COVID-19, many of America's hospitals were struggling to navigate an inhospitable financial environment. In addition to declining reimbursement and the rising cost of care, recent upticks in the number of U.S. residents without health insurance and the sharp rise of individuals with high-deductible health plans have made hospitals and health systems more reliant on direct patient payment for revenue. Hospital leaders have taken note and are increasingly concerned about patients' rising financial responsibility for care.

In a survey of more than 130 hospital leaders conducted by *Becker's* in conjunction with Zotec Partners in January 2020, respondents were asked to rank the influence of seven different challenges on

their organization's financial performance on a scale of 1 to 10. Patient financial responsibility received the highest weighted score at 7.47, followed by data analytics (7.26) and increased regulations (6.99). Respondents included CEOs, CFOs and revenue cycle coordinators, among other financial and administrative titles.

While this survey predates the surge of COVID-19 cases in the U.S., concern among hospital leaders about patients' ability to pay their medical bills has likely intensified as the nation contends with the worst economic crisis since the Great Depression. Before the current economic crisis, about 40 percent of Americans would have [struggled to pay](#) an unexpected expense of \$400. Now, with [21 million Americans](#) out of work as of May, the financial difficulties facing patients are much more severe than before the pandemic.

"Patient payments have long since been a concern in the realm of healthcare revenue cycle management," said David Law, Chief Client Officer of Zotec Partners. "But now, with the COVID-19 pandemic disrupting so much and leaving so many Americans without employment, it feels like the payment issues are at a tipping point."



The economic fallout related to the spread of COVID-19 has also taken a considerable toll on the nation's hospitals and health systems. As a result, decreased revenue related to canceled services and the cost of addressing the pandemic, U.S. hospitals lost more than \$202 billion between March and June, according to [estimates](#) compiled by the American Hospital Association.

The current situation puts the nation's healthcare providers in a difficult situation – they must simultaneously work to recoup lost revenue (of which direct patient payment makes up a considerable portion) while also delivering a compassionate financial experience to patients (many of whom may be experiencing financial hardship). While the task at hand is far from simple, hospitals and health systems have more sophisticated tools and information at their fingertips than ever before. By leveraging the appropriate tools and doubling down on their commitments to patients and their own financial sustainability, the nation's healthcare providers can overcome this difficulty and deliver patients the empathic financial experience they deserve.

## The data providers need

For hospitals and health systems to achieve these dual goals, hospital leaders need access to data that can help inform strategic choices. For example, while survey respondents ranked better patient self-pay outcomes as one of the top two areas of potential improvement that would have the greatest positive influence on the patient financial experience, just 34 percent of respondents said their organizations were tracking patient propensity to pay. Having data on a patient's ability and propensity to pay their out-of-pocket medical expenses allows providers to tailor payment plans to best suit the needs of an individual patient.

"Flying blind is never a good idea when it comes to patient payment solutions," said Law. "We know that the only way to go forward is with diligent data collection and expression that provide insights for billing officials."

Obtaining clear data on patient propensity to pay isn't the only information shortfall providers are up against when it comes to the revenue cycle. While most health systems are swimming in data captured by EHRs, patient satisfaction surveys and accounting systems, these organizations lack the sophisticated tools necessary to derive actionable insights from this wealth of data. In the *Zotec-Becker's* survey, respondents identified access to data and metrics as the top need for revenue cycle improvement that their organizations lacked.



With the right analytics tools in place, providers can not only track patients' propensity to pay, but also payer behavior and myriad of other fiscal insights. Clear data will not only help providers achieve higher rates of reimbursement and increased patient payment, but it will also aid in the efficient documentation of services rendered necessary to ensure adequate payment under new rules for treating COVID-19 patients with and without insurance.

## The communication and education patients deserve

Prior to the COVID-19 pandemic, many providers were focused on making the patient financial experience more transparent and convenient. These efforts were largely driven by a widespread knowledge of growing consumerism in the industry. The consensus was patients were bringing expectations they'd cultivated through experiences with other industries, such as online retail and banking, to their healthcare interactions. These industries offer a convenient and transparent billing experience. Healthcare organizations, conversely, have not offered that same level of transparency. In the last few years, stories of patients being hit with surprise medical bills [became commonplace](#) in both lay and industry media. Now, as the nation works toward financial recovery, it's time for providers to finally heed the call for a more transparent, convenient patient financial experience.

While easy-to-understand patient bills will be extremely important to delivering patients' a frictionless, empathic financial experience, transparency alone won't be enough to meet the challenge of the current moment.



"We hear a lot about the 'New Normal,' these days, especially as it pertains to healthcare," said Law. "It may be oft-repeated, but patients want to feel secure throughout their entire experience, and that definitely extends to the billing portions. Companies are going to have to adjust their approach to make sure that revenue cycle management never comes at the expense of the patient, or the provider for that matter."

Providers will have to make use of digital technologies to communicate with patients about their care and financial obligations. As more and more hospitals turn to virtual care offerings to keep patients and clinicians safe, digital communication tools will be more important. However, prior to the pandemic, many organizations were not making use of rudimentary digital patient interactions.

Mobile and virtual care technology has long held the power to transform healthcare. The ongoing COVID-19 pandemic has made this abundantly clear. Without telehealth and other digital technologies, providers' heroic initial response to the ongoing public health crisis would have been severely hindered and both patients and providers would have paid the price.

In the Zotec-Becker's survey, fewer than half of the respondents said their organizations offered patients digital reminders for appointments and billing. In world with more than 5.3 billion cell phones in use and 90 percent of the population with access to commercial wireless services – according to [Harvard Business Review](#) – hospitals simply can't afford to continue to rely so heavily on paper billing and non-digital forms of communication.

## The action healthcare demands

Moments of crisis bring about opportunity for reform and change. For years, industry thought leaders have pointed to the inconvenient, cumbersome financial experience offered to patients as a major flaw in healthcare delivery. In the era of COVID-19, hospitals and health systems simply can't afford to overlook this aspect of the care experience. Healthcare executives must find a way to tailor digital communications and payment plans to suit patients' financial circumstances.

In January, Joseph Fifer, the CEO of the Healthcare Financial Management Association, [penned](#) a call to action demanding consumerism be brought to healthcare. In his advice to hospital CFOs and CEOs, Mr. Fifer argued these leaders should implement user-friendly price transparency tools and communicate "frankly and openly about how healthcare finance works and what it all means to healthcare consumers."

"Will adopting consumer-centric business practices free up resources for other necessary improvements?" the former vice president of for Grand Rapids, Mich.-based Spectrum Health wondered. "I believe it will. At a minimum, it will heal our industry's black eye, which is at risk of becoming permanent."

While these words predate knowledge of the spread of COVID-19 in the U.S., they perhaps ring truer now than at the beginning of the year. The time for musing over one of healthcare's most stubborn challenges has long passed. It's time to act. It's time to fix the patient financial experience. ■



Since 1998, Zotec Partners has developed and deployed solutions and services for healthcare organizations of all sizes and specialties with proprietary technology, people-centric service, and measurable results. An innovator in the business of healthcare, Zotec delivers financial and patient experience solutions to providers that transform their healthcare business relationships and simplify some of the most complex processes in healthcare. Today, Zotec manages more than 100 million medical encounters annually, and counting, and is the chosen partner for thousands of providers across the nation, improving the lives and relationships of patients and providers through intuitive interfaces, revenue cycle processes, deep analytics, clear price transparency, actionable reporting, and intrinsic interoperability.

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